AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES

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Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE

59-579 O

WASHINGTON : 1986

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H181-52

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AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS FOR 1987

FRIDAY, MARCH 14, 1986.

SECRETARY OF AGRICULTURE-DEPARTMENT ACTIONS

WITNESSES

RICHARD E. LYNG, SECRETARY OF AGRICULTURE

ROBERT L. THOMPSON, ASSISTANT SECRETARY OF ECONOMICS, USDA

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. Mr. Secretary, we are glad to have you with us today. I am sorry about such short notice.

Earlier we had Mr. Clark of Farmers Home Administration here and we had hearings about the financial situation in farming areas. It seems that farm loans are at a standstill. I presume you are familiar with our problem with some folks in the Senate about the use of $2.7 billion of loan funds that we provided in the last appropriations bill.

I have talked with Mrs. Smith, and we thought we should ask you about two or three things that happened recently.

I think everybody on Capitol Hill is glad to see you as Secretary of Agriculture, primarily because we hope to see a change in direction at USDA. For the first time since I have been on this committee, some 35 years, we haven't had any cooperation from the department in trying to work our problems out. It is the first time I have been unable to find out what is going on except what I read in the newspapers. From my viewpoint, I have tried to work with the Department through the years.

What bothers me now is the failure of the Department to use that $2.7 billion to meet the problem we have. As you know, I don't think the new farm program is very good, but it is the best that we could get. I passed a bill through the House—I introduced it and the House adopted it—where we would go back to the old program of loans based on costs and provide that the Commodity Credit Corporation or private corporations would do what is necessary to retain our foreign markets.

What bothers me here is the Department's position on the $2.7 billion, calling it an increase of $900 million in expenditures. Of course, I point out again that this money is already available to carry out obligations. The current bill justs restores its availability.

The other thing that bothers me is that for the first time in my memory you have taken money that was appropriated for a project of a member of this subcommittee from Iowa and with no further clearance have transferred it to Florida. We have introduced a separate bill to take care of the cirtus canker problem in Florida. I have never known any Secretary to transfer money from what it is appropriated for, and just use it for what he pleased. I am not talking about the desirability or the need in Florida. In the bill I introduced the day before yesterday we provide funds to take care of Florida.

Also I notice where you have come out with an announcement that you are transferring $700 million to meet the needs of the FmHA operating loan program as though Congress had neglected its obligation.

We want to go over the entire USDA budget with you before our hearings are over. These things are happening now, it is up to us to try to discuss them with you now and try to work out an arrangement if we can. We can't, as a Congress surrender the rights of the Congress. As you know the Executive Branch proposes but Congress disposes. If you have the right to take whatever you want, and put it somewhere else, that is news to me. I would like to know what legal advice you have had on these matters.

Secretary LYNG. Well, I appreciate, Mr. Chairman——

Mr. WHITTEN. Our friendship goes back a long way. I have been highly pleased that you are in the position you are now in. But since you are just starting, we have asked you here today to get your cooperation.

I have talked to Mrs. Smith. We don't care to get into other issues today. We will do that later. But these things have happened in the first three or four days of your present service, and we just have got to do what we can to bring them to a stop.

Secretary LYNG. I would like to say that I appreciate the opportunity to come up and meet with you and I agree very much with the words you have said about cooperating. You and I have over a number of years, have had a cooperative relationship and I think we can continue to do so. I see no reason to believe that we can't do that in the future.

CITRUS CANKER

On the matter of the citrus canker. When I came I found that we at the Department of Agriculture actually owed this money to the people in Florida who had their trees destroyed by the Department of Agriculture with a commitment that we would pay them, indemnify them for that. It was a debt that remained unpaid. We had no money to use for that. We did have some unexpended funds that had been allocated to the——

Mr. WHITTEN. A fellow robs a bank because he hasn't any money.

Secretary LYNG. I was given the advice that we had the authority to make that kind of transfer.

Mr. WHITTEN. I would like to have the legal opinion. When I first came here, we had some of the finest lawyers in the country with the Department of Agriculture. During the Depression, the good lawyers had seniority they didn't quit like they do now days and go into private practice. I am not talking about individuals. In recent years I haven't been so impressed with the lawyers appearing before us as to their experience. I would just like to see a legal opinion because we can't permit this to continue.

Secretary LYNG. I know that you are an attorney. I know that I am not. I will be delighted to——

Mr. WHITTEN. I am referring to the lawyers now. I would like to see the written legal opinion. I would like to know the name of whoever gave that to you. In my opinion it goes counter to the facts.

The other thing, may I say, and I am trying to give you some information, and you don't need to comment on this but the State Department and the Management and Budget have been running the Department of Agriculture for the last five years. I read what is happening in the papers. You don't talk to the committee—not that you have to.

Some years back we established a prohibition against transferring anything. What the Congress said was that we should have an agreement that the Department would advise Congress as to what they planned to do and see if we had any objection. That hasn't been followed in the last five years. I read in the newspapers in my county, my home town, what the Department has done. We have no advance notice up here at all from the Department.

So we were in hopes we could work out a change where we would have a chance to help. When you leave here, we have to go to the House floor. If the witnesses haven't made a good case we don't have evidence when we get on the floor. So I would like you to supply us with needed information to defend USDA programs. I introduced a bill and called your folks so they knew we were taking care of Florida. You didn't tell me what you were doing.

The thing about it is, how can you kill a project for Mr. Smith in Iowa, take his money and put it in Florida and not tell Congress until after you have done it? I don't want you to start off your new position on that basis.

The other thing I say is you released $700 million, and made headlines like you are taking care of farmers. You don't tell them you had $2.7 billion Congress gave you last year and you won't use it.

Secretary LYNG. Well, it was my understanding—apparently there is some disagreement on this—that the bill that governed the amount available was the farm bill which came after——

Mr. WHITTEN. You don't have to be a lawyer to follow this. Congress, in last year's continuing resolution provided $2.7 billion for farmers for production loans for this year's operation. The President signed it. It is in your hands. Subsequently, the legislative committee came out with a bill which authorized only $1.7 billion. That doesn't affect the other money at all. You can't change an appropriation where you have already got the money in your pocket by what somebody does about authorizing that which is already appropriated. Any layman would know you can't change the amount of an authorization after the appropriation bill is signed into the law and you have the money. The authorization couldn't affect it. A layman can see that.

Secretary LYNG. Well, it was not abundantly clear to me. I was advised that the governing legislation——

Mr. WHITTEN. You have been in only a few days. I thought we would do you a favor in advance by meeting today.

Secretary LYNG. We will be happy——

Mr. WHITTEN. I think that people are pulling your leg.

Secretary LYNG. We would be happy to have our lawyers look at that question.

Mr. WHITTEN. We want a copy of the legal opinion.

Secretary LYNG. Fine. We will be glad to supply that.

FmHA OPERATING LOANS

Mr. WHITTEN. The next thing is the $700 million transfer. It looks like you are taking care of the farmers because Congress hasn't. What was that money taken from?

Secretary LYNG. It was taken from the emergency loan portion, as I recall.

Mr. WHITTEN. How can you use the emergency loan program when you already have $2.7 million for operating loans? I want you to use the money you have got.

Secretary LYNG. Under our interpretation we felt that we were beginning to run out of money for farm operating loans and——

Mr. WHITTEN. Who gave you that advice? I realize you haven't been down there but a few days. Who was your advisor, if I might ask?

Secretary LYNG. It was the people that administer the Farmers Home Administration.

Mr. WHITTEN. In the budget office of the department?

Secretary LYNG. In the department.

Mr. WHITTEN. Did you hear from the Office of Budget and Management?

Secretary LYNG. I don't recall talking to them about it at all. Perhaps the people in the Farmers Home Administration had. We felt that we had the legal authority to transfer funds.

Mr. WHITTEN. The Office of Budget and Management?

Secretary LYNG. Yes, they approved that.

Mr. WHITTEN. Did it originate with them or with you?

Secretary LYNG. No, I think it originated at the Department of Agriculture.

Mr. WHITTEN. Who in the Department?

Secretary LYNG. Well, the most responsible officer in the highest level is Under Secretary Naylor and then——

Mr. WHITTEN. He has been there for the last four or five years while the farmers have gone broke.

Secretary LYNG. Well, they have been difficult years.

Mr. WHITTEN. There may be a few farmers that haven't but a $212 billion debt would indicate that just about all of them are in serious financial trouble.

Mr. Secretary let me say we may have been unfair to you to ask you here today when you have been in office only a few days. I told Mrs. Smith we would try to get to these two or three problems. I appreciate your coming here today. This is sufficiently serious that I just thought we ought to go into it right now.

We are going to back you as long as we can agree on what the law is. I hope in the future we can find out what is going on from you before we read it in the papers and maybe we won't get out on the limb. We spent a lifetime trying to help, and we expect to keep on doing so. We can't if you get out on a limb, get out far enough, it is going to break.

I thought for the last several years we needed to get the Office of the Budget and Management down here. It may be we will invite them. If they don't come we could summon them. They are clearly calling the shots.

For the last ten years the State Department has had us holding our farm commodities off world markets at competitive prices. I have told the President this on two occasions—they have had the farmer financing our foreign policy because we would not sell.

I appreciate your coming down so we can make these points.

I hope we can stick to these questions. When you come back later we can go into other matters.

Mrs. Smith.

Mrs. SMITH. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for appearing before our subcommittee. We are all just delighted that you are now the Secretary of Agriculture. With your experience, and your perception and courage, we know you are going to do a great job. I agree with the chairman that it is hardly fair to ask you to appear here and then ask you long range questions when you have been in this position for such a short time.

Let me start off by commending the USDA for extending the signup date to April 1st. My office has just been deluged with phone calls from folks out there where the local ASCS people didn't know the final details and could not get them worked out.

Let me comment just a little bit on two of the things that our chairman was talking about. Senator Grassley and I were discussing this transfer of FmHA money and taking away our soil tilth program in Iowa last night. We are very concerned about this. I understand the folks in Florida had an indemnity program and you will have to pay them. I do hope you can do it in a way other than to cancel our program in Iowa. As you know, we are suffering as much as any other agricultural area in this country and I know now our folks are going to be very unhappy about this decision unless it is changed.

Now, getting back to FmHA funding. On Tuesday morning I was at the White House. The President had invited me to come there to discuss the Nicaragua issue and we did, but we also discussed the difficulties in the farm sector. I pointed out that in my state, FHA has been loaning $2.5 million a day and that we were out of money. I had just been advised by our state director of this. I hoped that as he had done last year, the President could transfer some money from the emergency fund. Last year on several occasions, $300 million was transferred from the emergency fund. Shortly after we visited, he called me and said he had transferred $700 million.

I was grateful. This was really a shot in the arm for states that were running short of FmHA money, including Nebraska. But I talked with FmHA at the USDA this morning and they tell me that they are loaning money at the rate of $32 million a day, which means that this $700 million would last approximately 21 days, so we are going to have a great deal of need that will occur very quickly. I would judge that the peak of the lending season for most of the country probably has not arrived yet, and the fact that USDA's loaning $32 million a day is very significant.

FARM SITUATION

Just a couple of general questions. You know, Mr. Secretary, my folks are very much aware that diesel fuel was a little over a dollar in the past. Now it is a little under 50 cents. Of course we are aware that interest is down and that the value of the dollar has declined. We are wondering how you feel about the future of agriculture? When do you think we can see a turnaround? Some of the people in the Midwest think the fall of land values may be bottoming out. When will exports start up now that we see the dollar falling as much as it has. Do you have any general comment about this?

Secretary LYNG. I have no great faith in my ability to forecast the future. I really don't have much faith in the ability of anyone to forecast the agricultural future. We seem to be wrong more than we are right. So I am uncertain. I think there is some justification to think that we are entering the bottoming out in terms of the fall in land values.

I think that the new farm bill that has been given us gives us tools that we can use to expand exports, that will strengthen the farming economy.

I think we are going to take under that legislation some of the steps that the chairman has advocated to me over the years. They may not go quite as far as some people would like, at least we are going to be moving in a direction that will begin to help. I think it is going to take some time. We have huge stocks of grains all over the world, much of it because we gave incentives for competitors to compete to produce. I think we are beginning to get that turned around but I think it would be wrong to suggest that in a matter of weeks or a month that we would begin to see a big difference. But we are seeing some difference.

There is a great deal of concern by our competitors about our farm legislation and we think that in a sense is good because we have lost the business to people who have by our standards, excessively subsidized their exports.

So I think that some of the things that have happened in the farm credit—not just the $750 million—help. It was needed very badly but the steps that regulators offer, that the Treasury Department has taken to help the commercial banks, particularly that will affect farm lending, to make it a little easier for banks to comply with the regulations and still make some consideration, give consideration to farm borrowers.

The bill, the so-called Technical Corrections Bill, that has a number of things in it that were desirable for farmers, and I think it will help in adjusting some of the things that are needed to be changed in the basic legislation.

Finally, I hope we are on the verge of getting out a supplemental so that the CCC will be able to get ahead with the deficiency payments. We are prepared to do that, but we need the money. Farmers need the money. But I think these things will all help in the short term and in the longer term, I am optimistic that we will see agriculture turned around under the new farm bill.

Mrs. SMITH. I am glad to hear that report.

Let me say that these deficiency payments are tremendously important to agricultural people in our country. We have a lot of folks just waiting before they start operations for this year until this deficiency money comes. This is a bad time for us to be closing up shop and put out the word that we don't have the money and maybe have to send out letters saying we can't even provide it. So I am very hopeful for this.

If I could ask you just one more question, Mr. Secretary. We are all delighted to see the prime interest rate down another half percent, down to nine percent. Out in the farm country, interest is not going down accordingly. I see the Federal Land Bank says they are going to lower our rates to 12 and three-quarters of a percent March 1st, but this still isn't competitive. Out in my state, where 22 banks went broke in recent months, the banks that we have are very gun shy and are still charging high interest rates because they have lots of poor loans and we have had 2 PCA's and 3 banks that went broke in a 200 mile by 50 mile piece of my district within 29 days.

There isn't any credit out there, and the credit that is available is so high. I wonder if you have any comments about what is going to be done so that farmers can benefit from the lower interest rates that are really prevailing in this country?

INTEREST BUY-DOWNS

Secretary LYNG. Yes, I failed to mention that we are actively implementing the $400 million of interest buy-downs that was provided for in the farm bill. That will help some. The regulation changes of the Treasury Department will help some of those banks, and I think it is significant.

The farm credit legislation that was passed by Congress just before they went home at Christmas is beginning to be implemented. I think this will have a beneficial effect. Again, it is going to take a little time.

The interest rates, long term interest rates, this will be the case of the Federal Land Bank Loans, are higher than the shorter terms and those farmers that have Federal Land Bank loans, many of them having very serious problems because of 12 or 13 percent interest rates, and the thing that will make long term interest rates on land bank more reasonable is for land values to stabilize. Today, you hear on the radio advertising commercials for savings and loans from right here that will make 30 year fixed rate housing loans at nine and a half, nine and seven-eighths percent—under ten percent. That has come down a whole lot in just a relatively short time. It is because there is some confidence on the part of investors to put money into things like Ginny Mae and Fanny Mae and secondary markets that are working. They weren't working for housing just a short time ago.

With those interest rates, I would hope that we will give with this new Farm Loans—Farm Credit Administration, plus the commercial banks, plus the Farmers Home Administration—we will be able to give some confidence to investors and lenders and that will begin to stem some of the serious problems out there.

I recognize and have strong concerns and compassion for those people that seemingly are beyond saving, where the debt is so great and debt servicing costs so high that they can't make it. I am sure there will be some of those, but I hope those days are just about over.

Mrs. SMITH. I appreciate your answer, Mr. Secretary, and I am glad to know that you are going to be pushing them to use the interest-rate buydown. I have talked to the Farm Credit officials twice about the importance of this program and I didn't get much interest. They said $490 million isn't really enough money. If they get busy and use the funds that are available, maybe we can provide additional money. I am glad to know you are going to push this program.

We are so glad to have you all here and thank you for coming.

Secretary LYNG. Thank you.

Mr. WHITTEN. Mr. Traxler.

FARM CREDIT

Mr. TRAXLER. Welcome, Mr. Secretary, delighted to have you here today.

The chairman is totally correct, of course. These are your first days on the job, you are right in the trenches. There are a lot of things going on in agriculture, not only in Washington but out there on the farm. Credit is foremost in everyone's mind at this point in time not only in terms of long term credit, restructuring of farm debt, but also in terms of production credit. How are we going to buy the fertilizers, the seed, the necessary widgets to get this crop in the ground this spring?

I guess I have a question for you along those lines to begin with, and that is, there is a sense of a Senate resolution that accompanied the amendments to the farm bill, which is currently on the President's desk, and there was some controversy over that sense of the Senate resolution, and finally, "shall" got changed to "should" and in it it said—if I may paraphrase, not necessarily totally accurately—basically it said the department ought to have a program in which the farmers could draw up to 50 percent of future crop support payments and that concept has a tremendous amount of support among my growers, and I must say, within the Congress itself, and have you had a chance to look at that recommendation, and if so, what is your decision going to be? If you haven't looked at it, when are you going to look at it. What are you going to do?

Secretary LYNG. I am familiar with it. It is not a new proposal.

Mr. TRAXLER. Exactly.

Secretary LYNG. It was in some farm credit legislation that the President vetoed a little over a year ago. I was asked about this at my confirmation hearing and I said that I did not favor the use of the commodity credit support price loans as an advanced credit device. So I just think it is the wrong thing to begin to advance that money until after you actually have the crop harvested.

There are other ways of giving farmers financing, the farm operating loans, the advanced deficiencies payment. I think that there is a danger of our really creating more problems than we solve if we start earmarking those loans as ways for farmers to finance their crops. One advantage people seem to offer is that it would do those at lower rates of interest. There is some danger, it seems to me, of moving into that.

I guess what I am saying, Mr. Traxler, is that I do not intend to use that authority even though it is there.

Mr. **Traxler**. Well, on behalf of my producers and many of my growers, I know they are going to be terribly saddened with that answer. The fact of the matter is the other sources of credit you mentioned, FmHA most especially, in terms of production means in spite of the action taken by the White House, and reprogramming some—what was the sum——

Mrs. **Smith**. Seven hundred million dollars for the operating loans.

Mr. **Traxler**. In our judgment that is going to be grossly inadequate and at the rate at which that money is going out, it won't be a matter of several weeks at the latest, until it is going to be dry. That is why you saw the action on the part of the conferees on the CCC bill to add merely a billion dollars, that the chairman worked diligently on.

Mr. **Whitten**. That is the reason I say, this bill merely emphasizes that you have the full $2.7 billion; it was provided for this purpose, it was signed into law. The fact that an authorizing committee came along and wrote some language thereafter doesn't have any effect on its availability.

What I am saying is there never was any occasion to have headlines that you were transferring that $700 million because you had the full $2.7 billion. It passed as an appropriation bill, and was signed by the President. You have gotten the money. The provision in H.J. Res. 534 was just to point out you had it.

Mr. **Traxler**. The gentleman, in my judgment, is totally correct. There is some dispute here. Let me just put a question to you which you don't have to respond to. The question is, if you only had the authorizing bill, we never passed an appropriations bill, would there have been program monies or any monies to operate the department? Of course, the answer is no. It isn't because of some kind of ego trip we are on—this committee.

Well, let me say that I am awfully troubled here now. What I am looking at is a situation in which the marginal farmer, whose last hope is to get some credit to get his crops in, and trusting and hoping that he can make it through another year. Really that is what is going on out there. And while I don't know too much about operating a Department of Agriculture, I am certainly not a farm expert, I am certainly not the best farmer, I am not one at all, but I am familiar with the stories of people who are on the front lines out there, the growers, farmers, what they tell me. With many of them—altogether too many—the situation is from one year to the next year. One crop to harvest and then a hope from harvest to planting time, and borrowing money to be able to stay in the business until things improve. It is a desperate time, as you can appreciate I am sure.

It seems to me that making credit available to them now, right now, for that production, to get that crop in the ground is absolutely critical or we are going to lose a substantial number of growers very, very shortly. I was hopeful that you would have some good news for us in connection with the production monies, with the possibility of their ability to borrow. That is the quickest and easiest way to do it if we really want to do something for them. It is not a long term solution, it is a springtime solution and gets them through until fall, not the winter, and then we can deal. It will give us some freedom to operate here on a more long term solution.

I just hope that you will go back and give some real reconsideration to this, because it is the last effort we are going to try. The chairman has made an effort to convince you that you do have the funds there now and in the production accounts. I hope that you will take another look at that and I hope you will agree the appropriations was done and the money is there.

I hope also you will take another look at the proposal for borrowers.

I have another whole series of other questions, some deal with the issues that presently are supposed to be before us. I do want to remind you that in the dairy industry, there is a great concern over the rules and regulations and implementation of the whole herd buyout and I am sure that over the next few weeks you are going to be giving an awful lot of time to those issues.

I am not going to press you with the questions today, I just want to alert you about some of the great concerns that are present there and especially on the part of those producers who participated in the diversion program and now are finding that their base is based on their post-diversion and not on what it was prior to their entry into the diversion program.

There are some tough questions there, I know that, being a kind and gentle man, and I am concerned about the welfare of the American farmer whether there is a doubt in your mind you are going to resolve in favor of the producer.

CITRUS CANKER

Mr. WHITTEN. Mr. Secretary, again, our full committee is meeting next Wednesday. My purpose in asking you down here is to try to clear this matter up before that meeting. In two instances you have clearly violated the law. On January 31, the department asked us to allow reprogramming funds to the citrus canker problem in Florida to pay compensation for plants already destroyed.

We wrote them that they couldn't take money away from any other programs without a hearing. Then they withdrew their request after we advised Mr. Norton, I believe I told him on the telephone, that if you take this money away from these other people they would object strongly. They dropped it, saying it was to pay compensation for plants already destroyed.

Now, in your letter to me advising me that you have taken Mr. Smith's laboratory money and put it in Florida, you pointed to Public Law 97-46. But when I look to that it says no part of any such sum shall be used to pay off the cost or the value of property injured or destroyed. So you have no authority to do that.

But the big thing is not Florida. I told you I introduced a bill the day before yesterday, to take care of Florida. It strikes me that you haven't had good advice. You need to quit getting advice from folks who got us in this fix. We have got to stop this. I would hope you would get back in touch with us. We have the greatest admiration and respect for you and value your friendship. We hate to see you get off on this foot and everybody is hopeful you will change past policies.

I see Assistant Secretary Mizell over here. I read in my newspapers and hear things the department has done that we never heard about before we see it in the paper. That has been continuous for four years and it has reached a head. We are here to help—goodness knows we need the help of the President and everyone else. I have told the President twice, once in '82 and again about six weeks ago, that the State Department has had us financing our foreign policy by holding our commodities off the world markets to please our competitors.

I have tried to help in season and out of season and under this Administration and that Administration. When Mr. Butz was Assistant Secretary he asked me about selling to Russia. I said if you have to pass a law you can't pass it, but folks want to move the products. He gave a commission to Cargill and the other big grain people and the cotton people, and moved the commodities.

Some people call it a subsidy over here. It is not a subsidy, it is a sale.

But thanks again. I hope you will look into these problems were discussed and let's get back to us soon.

Mrs. SMITH. May I ask one more question and make an additional comment?

Mr. Secretary, has the President signed H.R. 1614? I understand that he intends to.

Secretary LYNG. That is my understanding, too, Mrs. Smith, but I haven't heard whether he signed it or not.

Mrs. SMITH. As of last night he hadn't.

Our bean growers in Nebraska are really uptight about this. Beans were $20, and have decreased as much as $6. I am wondering if you could do anything to see to it that the President does sign this at the earliest possible date because everybody is waiting out there to find out whether or not he signed the bill.

Secretary LYNG. I will certainly try to do that, Mrs. Smith.

Mrs. SMITH. Thank you very much.

I would like to state for the record that Mr. Conte has sent word to me he regrets very much he is not here to welcome you. He is tied up over in Mr. Natcher's committee. He is trying to get over here in time. If he doesn't he wants you to know that he is very glad that you are here.

Secretary LYNG. Thank you.

CLOSING REMARKS

Mr. **Whitten**. Thank you very much, Mr. Secretary. We wish you well. We want to help any way we can.

Mr. **Traxler**. Excuse me. What was your response to the question about when the bill is going to be signed?

Secretary **Lyng**. I didn't know the answer, but I said that I would try to help get that accelerated.

Mr. **Traxler**. You will be a very big man if you would do that, and if you would also implement the sense of the Senate resolution.

Secretary **Lyng**. Thank you.

TUESDAY, FEBRUARY 18, 1986.

BUDGET OVERVIEW

WITNESSES

STEPHEN B. DEWHURST, BUDGET OFFICER
LARRY WACHS, BUDGET OFFICE
ROBERT SHERMAN, BUDGET OFFICE

OPENING REMARKS

Mr. **WHITTEN**. The committee will come to order.

Mr. Dewhurst, we are glad to have you here today to present the budget overview for the Department of Agriculture. Heretofore, the Department's appointed officials have always turned to you to answer the hard questions, so I think you are going to have to answer all the questions under present conditions.

We are glad to have you present. First, I would like for you to state the total amount of reductions proposed in the 1987 budget for the Department of Agriculture.

BUDGET OVERVIEW

Mr. **DEWHURST**. Yes, sir. The overall reduction in our program level is just over $10 billion.

Mr. **WHITTEN**. $10 billion?

Mr. **DEWHURST**. Yes, sir.

Mr. **WHITTEN**. I would like for you to list at this time the individual reductions within that total.

Mr. **DEWHURST**. I would be glad to do that. I have put a complete table in the record and I will be happy to summarize it for you.

Mr. **WHITTEN**. Now, tell us what is left and how we are going to live with these reductions.

Mr. **DEWHURST**. I thought you promised me the easy questions today, Mr. Chairman.

Mr. **WHITTEN**. You haven't got any Secretary right now, so you have got carte blanche. Just tell it your way.

Mr. **DEWHURST**. There is no doubt that this budget——

Mr. **WHITTEN**. You are bound by the budget, aren't you?

Mr. **DEWHURST**. Yes, sir.

Mr. **WHITTEN**. Tell us what is proposed and how you are going to live with what is left.

Mr. **DEWHURST**. Yes, sir. It is a privilege for us to be here today as it always is. As you know, it has been customary in the past for us to provide the committee a single table which showed the amounts provided for the current year and the amounts proposed in the budget and the changes that were being recommended.

This year we have in fact provided the committee with two tables. The second table deals exclusively with fiscal year 1986, because of events which have transpired since the appropriations bill have changed the numbers for 1986 and we thought it was important for you to see what those changes were and what had been done.

We have two factors which affect our 1986 funding beyond the figures in our appropriations bill as originally put together. They are the six-tenths of one percent reduction in most of our programs, which was authorized in the appropriations bill and subsequently implemented and the Gramm-Rudman reductions, the so-called 4.3 percent across-the-board reductions authorized in the Gramm-Rudman legislation.

GRAMM-RUDMAN

Mr. WHITTEN. You mention the Gramm-Rudman bill. I just came from hearings of another subcommittee where they were discussing that. You will recall, the Speaker put representatives of the Appropriations Committee on the Gramm-Rudman conference committee. We were successful in inserting a prohibition against cutting certain programs, projects and activities too much. However, since about two-thirds of the Government is exempt from the cuts, it leaves about three times as much to be taken from the one-third that is left, to reach the overall target.

Not only that, but the three judge court has knocked out the key provision for across-the-board cuts. The Supreme Court has not yet acted, but if it approves what has already been done we may have to reconsider the Gramm-Rudman bill.

Also you are proposing to offset appropriations for some programs with user fees. That is not authorized either, is it?

Mr. DEWHURST. No, sir.

USER FEES

Mr. WHITTEN. In how many places do you ask for user fees?

Mr. DEWHURST. We have eight or nine additional proposals for user fees in this budget.

Mr. WHITTEN. You can discuss those in detail later. In prior years you have come up here and counted that as income even though you couldn't even get one member of Congress to introduce the bill. Have you got somebody "stashed out" that will offer to introduce that user fee legislation?

Mr. DEWHURST. Most of the legislation has not even been submitted to the Congress so it cannot yet be introduced.

Mr. WHITTEN. With this session of Congress already in the second month and with time rapidly moving toward the deadline of October 1st, how soon are you going to begin to get somebody to introduce your bill?

Mr. DEWHURST. Well, the objective is to have all the legislation to the Congress by the end of the month. How they will go about getting people to introduce it, I don't know. Obviously that is a political matter.

Mr. WHITTEN. That is not your job.

Mr. DEWHURST. No, it is not.

Mr. WHITTEN. Are you sorry?

Mr. Dewhurst. There may be some jobs worse than the one I have.

GRAMM-RUDMAN

Mr. Whitten. You may proceed.

Mr. Dewhurst. I might say, though, on Gramm-Rudman the Chairman is absolutely correct. In 1986, the Federal funds that are subject to the Gramm-Rudman cut in the non-defense area total $105 billion out of the total Federal budget. USDA represents about 21 percent of the total Gramm-Rudman cut government-wide. So there is no doubt that as a result of that legislation, agriculture bears a fairly large share of the total.

Mr. Whitten. Are you reducing the Department's budget because so many farmers have gone broke and there are not as many of them left who need attention? Is that the basis for your reasoning?

Mr. Dewhurst. The reasoning, of course, is in the legislation which has created a lot of exemptions for various programs, but had no exemption for our price support or other USDA programs.

REDUCTIONS

Mr. Whitten. With fewer farmers needing help should we start reducing the Department to the size of the number of farmers left?

Mr. Dewhurst. There are a lot of reductions in this budget. You may wish to take a look at those and see how you want to allocate them.

Mr. Whitten. Do you have any candidates you want to submit?

Mr. Dewhurst. No. I believe the committee is able to do that part of the job. But it is true that the cuts are fairly large in agriculture. It is also true, Mr. Chairman, that the lower court in issuing its Gramm-Rudman order instructed the Departments to carry out the cuts pending a Supreme Court decision. So we could find ourselves in a position in another two or three months——

SEPARATION OF POWERS

Mr. Whitten. We keep talking about the three branches of Government. It looks to me like the Judicial Branch is moving in and taking over the legislative function, as well as the Executive Branch. What do you think about it?

Mr. Dewhurst. I think if the Supreme Court agrees with the lower court in a couple of months and we are ordered to somehow undo the Gramm-Rudman reductions, we are going to have a very difficult problem. We will be in a position of having furloughed people or done things to disrupt programs and try to put them back together again. That is an outcome that neither the Congress nor the Executive Branch wanted to happen, but it appears to be what might happen.

1987 BUDGET

Mr. Whitten. What you are going to do is deadly serious. Now, please discuss the significant reductions that you propose. I will try not to interrupt.

Mr. DEWHURST. All right, sir. With respect to the 1987 budget, the first table we have given you lays out the numbers. If you look at that table, you will see that the President's budget for 1987 requests an appropriation for the Department of Agriculture of just over $41.7 billion. That request assumes just over $1 billion in legislative savings to be achieved through the passage of legislation in the area of the food assistance programs.

You will see that that number is about $4.5 billion above our current appropriations for 1986. However, I hasten to add that the 1986 number does not include the supplemental appropriation that has been requested for the Commodity Credit Corporation, which is now pending before the Congress. If you add that in, you end up with a 1986 estimate of about $45 billion and a cut in appropriations of about $4 billion in the Department of Agriculture. In the Agricultural Research Service, to start down the table, you will see that the budget request for that agency is $513 million.

That is an increase of almost $35 million over the current 1986 level. Those changes will do three things in ARS. They will put back most of the Gramm-Rudman 1986 cut in that agency; they will provide about $3 million for increased research in germ plasm and about $10 million for increased research in alternative uses of surplus crops.

Mr. WHITTEN. The tables you are referring to will be included in the record.

[CLERK'S NOTE.—The tables are on pages 84 through 91.]

Mr. DEWHURST. Yes, sir. Thank you.

So the ARS budget, as you can see, is up a bit. But for the Cooperative State Research Service, which is the next agency in the table, that budget is $246.4 million. That is down almost $30 million from the 1986 level.

As you can see from the table, the chief change proposed is that there is no funding proposed for special grants or for the Animal Health and Disease Research Program under Section 1433, I think it is, of the 1977 Farm Bill.

There is funding there to continue the basic Hatch Act program and the 1890 program at the 1986 funding level, which existed prior to the Gramm-Rudman reductions.

One of the deeper cuts proposed in the President's budget is in the Extension Service, which is shown at the top of the next page. The total budget proposed for the Extension Service in 1987 is $140 million. That is a reduction of $187.9 million below the 1986 level.

Essentially, that budget in total is at about 40 percent of the 1986 level. You will note that there is some funding there for the basic Smith-Lever Program, for the 1890 Colleges and so forth, but there is no funding for the special grant programs of the Extension Service and the basic formula program is reduced on the order of 45 percent.

The National Agricultural Library is budgeted at about $11.4 million. That is essentially the 1986 level prior to Gramm-Rudman so it is a budget to keep them at their current operating level.

The Federal Grain Inspection Service, you will see there appropriated funds request of $6.9 million. Now, as you know, the Federal Grain Inspection Service currently functions largely with user fees. They have about $37 million in user fees that they collect and then there is $7 million in appropriated funds that pay for certain of their overhead and supervision kinds of activities.

The budget does propose to expand the user fees for the Federal Grain Inspection Service to the point where they would pick up this $7 million and there would be no further need for appropriated funds for the Federal Grain Inspection Service.

If the Congress were to pass such legislation, the budget would be amended and the request for appropriations would be withdrawn, but what this committee has before it at the moment is the current law request that is needed to operate the agency under the current statute.

For the Animal and Plant Health Inspection Service, you will note there is a total budget of $255.5 million. That is a reduction of $49.2 million below the 1986 level. There is a whole series of changes in the budget for the Animal and Plant Health Inspection Service.

There is actually an increase of about $2.2 million in the agriculture quarantine inspection function to maintain full staffing at all of our various ports of entry, but there is a reduction of $16.2 million in funding for the grasshopper program, that Congress added these funds to our 1986 appropriation so they would be available to deal with potential grasshopper outbreaks this spring.

The budget does not propose to continue this funding in future years. There are also reductions totalling $18.2 million in proposals to terminate or reduce a large number of relatively small APHIS programs, such as animal welfare, imported fire ant, boll weevil, rabies, witch weed and horse protection.

These are all programs the Administration believes should be carried out by States or by others, industry and other sources of funds. There is a cut of $3.7 million in the brucellosis program. The Administration continues to favor a five year phase-down of Federal activities in support of the brucellosis program and this budget is simply the next increment in that proposal.

Finally, there is a $9 million cut in the proposed budget for the animal damage control program. As you know, that program is being transferred from the Department of Interior to the Department of Agriculture. The savings of $9 million is to be achieved in that program by integrating it into the Animal and Plant Health Inspection Service structure so it will not need its own separate structure and management overhead.

The budget for the Food Safety and Inspection Service is at $365.8 million. That is an increase of about $19.6 million over the current estimate for 1986 for that agency. However, with respect to the budget for FSIS, it is important to understand the Administration will seek legislation to convert that entire program to user fees.

If that program were to be converted to user fees, if the Congress were to pass that legislation, this budget request would then be withdrawn. But under current law, the budget asks for $365 million to continue the program.

On the next page the Agricultural Marketing Service Budget is at about $31 million, essentially the same level as in 1986. However, you can see from the details that there are some things that go up and some things that go down. The budgets for market protection and promotion, wholesale market development and payments to States and possessions are all reduced; in fact, the payments to State program is proposed for termination.

The increases in the other areas essentially restore the 1986 Gramm-Rudman reductions. The budget for the Office of Transportation is set at about $1.2 million. That is a reduction of $1.1 million below the 1986 level.

The President's budget proposes to phase this agency out by the end of 1987 so that funds in this budget would be largely used for termination costs.

The Packers and Stockyards Administration is the next item in the list. It has a budget of slightly over $9 million. The budget is about $353,000 above the 1986 level. The budget essentially restores the Gramm-Rudman cut in that agency, but again this is another agency where the Administration is proposing legislation to finance the activity with user fees.

If the Congress were to agree to that proposal, then the appropriated funds would not be necessary and the budget would be amended accordingly.

The same is also true for the Agricultural Cooperative Service. The budget for that agency is $3.7 million before this committee, a reduction of $771,000 from the 1986 level. That is similar to funding proposals made by the Administration in the past few years, but again—here again the Administration will propose user fees for this agency and would withdraw the budget request if the user fee legislation were to be approved.

The next item on the list is the Economic Research Service. That budget is $45.5 million, an increase of about $1.5 million above the 1986 level. That budget essentially restores the Gramm-Rudman reduction in 1986 for the Economic Research Service. It allows the agency to continue at its current level of operations.

There are no significant programmatic changes proposed in ERS for fiscal year 1987.

The Statistical Reporting Service has a budget of about $59.7 million. That is up about $3.5 million over the 1986 level. Of that request, about $2.9 million restores Gramm-Rudman reductions in 1986. The remaining $600,000 is going to be used to improve the major crop acreage and production estimates used by the Statistical Reporting Service and to approve the analysis of survey data that they do in Washington.

So there are some programmatic proposals in SRS that you will want to look at.

The next agency you see there is the World Agricultural Outlook Board. That is a very small agency. Its budget is about $1.7 million and the budget essentially restores the 1986 Gramm-Rudman cut and allows the agency to proceed at the 1986 level of business.

For the Agricultural Stabilization and Conservation Service, you will see that the total level proposed in 1987 for the salaries and expenses of the ASCS is $417.4 million. That appears to be an increase of $33.7 million over the 1986 level, but requested for 1986 and not yet included in this table because the Congress has not approved it is a supplemental appropriation of $72 million for the ASCS.

So if the Congress approves that supplemental, the number here for 1986 for ASCS——

ASCS

Mr. **Whitten**. The Administration requests a permanent—indifenite appropriation for CCC. If we went along with the budget, Congress would have no control over CCC expenditures and no annual reporting would be necessary. For 1986, you have submitted a supplemental for $5 billion which would have taken care of about three months and yet would not have gone over the budgetary ceiling which is about $7.5 billion.

Now, I understand the Office of Management and Budget estimates that you actually need $8.8 billion to meet current needs. With this much uncertainty, I am sure the Congress will not go along with taking the lid off and giving up its control as proposed by OMB.

Am I right about what they now say?

Mr. **Dewhurst**. Yes, sir. I might say the difference between the $7.9 billion——

Mr. **Whitten**. How much would we save if you were to restore the old farm program where we had supports for basic commodities and sold those commodities in world trade for what they would bring? How much would that reduce your $8.8 million estimate?

Mr. **Dewhurst**. All I can say to that, Mr. Chairman, is that the current CCC inventory, the commodities they have on hand are valued at about——

CCC INVENTORY

Mr. **Whitten**. I understand you have about $6.5 billion in inventory. I read that in a recent newspaper report coming from the Secretary's Office.

Would you put in the record what commodities CCC has on hand?

Mr. **Dewhurst**. Yes, sir. I am glad to do that.

Mr. **Whitten**. Would you put in the record what part of the commodities have been offered for sale for what they would bring and what part have not?

CCC INVENTORY AND SALES

Mr. **Dewhurst**. We will provide a list, by commodity, of the CCC inventory outstanding as of September 30, 1985 and a corresponding list of sales for these commodities as of December 31, 1985. A list of estimated sales for all of fiscal year 1986 will also be included.

[The information follows:]

CCC INVENTORY AND SALES, BY COMMODITY

[Dollar amounts in millions]

	Inventory outstanding as of Sept. 30, 1985		Fiscal year 1986 actual CCC sales as of Dec. 31, 1985		Fiscal year 1986 estimated sales in fiscal year 1987 President's budget	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Item:						
Corn (bu)	271.6	$757.3	2.3	$6.4	23.6	$59.1
Grain sorghum (bu)	129.1	359.4	2.2	5.8	12.2	33.9
Barley (bu)	29.5	58.7		.1	1.0	1.8
Oats (bu)	1.8	2.4				
Total feed grains	432.0	1,177.8	4.5	12.3	36.8	94.8
Wheat (bu)	501.5	1,951.3	4.5	10.5	32.4	103.9
Rice (cwt)	44.1	385.2	.8	10.0	1.8	25.1
Soybeans (bu)	30.7	157.6	.2	1.0		
Honey (lb)	140.4	103.8	1.4	.5	10.0	3.9
Upland cotton (bale)[1]	133.8	41.1	1.0	.3		
Dairy products:						
Butter (lb)	295.0	462.4	11.5	6.4	178.5	44.4
Butteroil (lb)	23.4	40.1	10.6	7.4	45.4	31.8
Cheese (lb)	836.5	1,184.5	14.5	13.3	50.1	17.7
Milk, dried (lb)	1,447.9	1,327.2	129.4	29.1	452.4	61.4
Ultra high temp milk (lb)	.8	.2				
Mozzarella (lb)		.1				
Total dairy	2,603.6	3,014.5	166.0	56.2	726.4	155.3
Rye (bu)	14.4	32.3			.1	.2
Sugar, cane (lb)					607.4	78.4
Sugar, beet (lb)	254.6	51.4			254.6	56.8
All other		5.9		[2] 69.8		[2] 278.3
Total		6,920.9		160.6		796.7

[1] Upland cotton quantity is in thousands of bales.

[2] Represents transfer of commodities to Public Law 480, title II, which are reimbursed to CCC by the Public Law 480 appropriation.

Mr. DEWHURST. The supplemental for the salaries and expenses of ASCS would permit them to take on the additional people they need to implement the farm bill. That budget has been apportioned on a deficiency——

Mr. WHITTEN. That is for the remainder of the year. I believe the program is to end at the end of this fiscal year; is that correct?

Mr. DEWHURST. Yes, sir. For the remainder of this year.

PRICE SUPPORTS

Mr. WHITTEN. And what you want is for the remainder of the year. How much would it cost you to end the program in addition to that?

Mr. DEWHURST. To end the farm price support programs?

Mr. WHITTEN. Yes.

Mr. DEWHURST. We are asking for supplemental to implement the new farm bill.

Mr. WHITTEN. To pay for the remainder of the year?

Mr. DEWHURST. Yes, sir.

Mr. WHITTEN. If you were to end the program, what would it cost you in extra money to release all these employees?

Mr. **Dewhurst**. Well, I suspect if we were to try to end the program between now and the end of the fiscal year, we would be letting go something on the order of 3,000 Federal people and 10,000 to 12,000 county office employees. The cost of that would likely be greater than the total budget that we now have for S&E for ASCS, but that is not being proposed.

Mr. **Whitten**. For one more year you could keep your people cheaper than you could release them.

Mr. **Dewhurst**. That is usually true when you request a reduction in force.

COUNTY COMMITTEE EMPLOYEES

Mr. **Whitten**. All right. Now, as I recall, they are not listed as Federal employees. They are just Federal workers. They never have been under Federal Civil Service.

Mr. **Dewhurst**. Yes, they are employees of the county committees.

Mr. **Whitten**. This committee was largely responsible for getting them the benefits of Civil Service. But it never could get any administration to list them as Federal employees; is that correct?

Mr. **Dewhurst**. Yes, sir. That is correct.

Mr. **Whitten**. But they do have all their benefits in line with Civil Service. That is the most we could get.

Mr. **Dewhurst**. Yes, sir.

OMB RECOMMENDATIONS

Mr. **Whitten**. Now, how many times has Congress had to override recommendations of the Office of Management and Budget to save the ACP program? Thirty-six times or 37? How many?

Mr. **Dewhurst**. The last.

Mr. **Whitten**. Put it in the record, if you don't have it.

Mr. **Dewhurst**. The last I counted was 31.

Mr. **Whitten**. Thirty-one times. What is your idea about what will happen this year?

Mr. **Dewhurst**. The law of averages being——

Mr. **Whitten**. You may proceed.

Mr. **Dewhurst**. The budget does propose to terminate funding for the conservation programs run by the ASCS. The staff, of course, would be retained.

CONSERVATION

Mr. **Whitten**. Don't you think you ought to keep this program to perserve the land for the next person to have it?

Mr. **Dewhurst**. Well, the Administration has put emphasis on implementing the Conservation Reserve Program, which is authorized in the new farm bill.

Mr. **Whitten**. Do you have a farm background?

Mr. **Dewhurst**. No, sir.

Mr. **Whitten**. You ought to talk to those that have. They know that land deteriorates if it remains out of production without conservation treatment. Most folks know that if they have any farm background at all. Do the experts at the Department know what will happen to our land if we leave it idle?

Mr. DEWHURST. The conservation reserve, of course, does have a cost share program.

Mr. WHITTEN. If a farmer can't pay his taxes, how can he put up his share of the cost?

Mr. DEWHURST. Well, he will also be paid rent. The Federal Crop Insurance Program, the current law budget you have before you, requests about $375.6 million.

CROP INSURANCE

Mr. WHITTEN. Is that for the remainder of the year or is that a new program going in?

Mr. DEWHURST. This is for fiscal year 1987. That is under current law. The Administration is also proposing in legislation to terminate or phase out the Federal subsidies in this program over the next five years. The Federal subsidies are, of course, the fact that the Federal Government pays all the administrative expenses in connection with the crop insurance program and pays essentially 25 percent of the producer's premium when he buys insurance due to that program.

If those things were to be approved by the Congress then the Administration would submit an amendment to this budget and reduce the level of funding that it has requested.

1987 BUDGET

So it is not assumed in these numbers you have before you for the current law budget this year, but that would change if the Congress were to pass the legislation. The Commodity Credit Corporation, we have talked about just a bit. I do believe, however, I should make sure the committee knows that the current estimate is the CCC will again exhaust its funding as of the 26th of February and there is pending a request and some action to put supplemental funds into the CCC.

You will note that the 1987 request for reimbursement for losses in CCC is $16.8 billion. These are very high levels of funding and the reason for it becomes apparent if you look at CCC outlays. The outlay estimate for the Commodity Credit Corporation net outlays for fiscal year 1986 is well over $20 billion which is a record so far as I can tell.

Even though the number for fiscal year 1987 is down to about $16.5 billion, it is still a very high level and simply cannot be run without almost constant help with respect to the reimbursement for losses or new funding for the corporation.

The Farmers Home Administration, you will find in the budget a whole series of proposals that affect the loan and grant levels for that agency. What you need to know is that in farm loan programs in Farmers Home, the budget has a level of $4 billion for operating credit, but that is about it. The budget essentially proposes no housing programs in Farmers Home, no rural development program in Farmers Home, neither the grant nor the loan programs in those other areas would be funded.

In addition, the budget has a staff year level in it for Farmers Home of 11,000 staff years. The current level this year is 12,400 staff years so there is a reduction of about 1,400 staff years in 1987 budget.

STAFFING

Mr. **Whitten**. Please provide for the record a listing of the staff, by position title and grade level, for the Office of the Secretary and each Office of Assistance Secretary and Under Secretary.

Mr. **Dewhurst**. We will be happy to provide you with the information.

[The information follows:]

Office of the Secretary

STAFFING AS OF FEBRUARY 15, 1986

Note: This listing includes both filled and vacant positions. Consultants, detailees, and temporary positions of less than one year's duration are not included.

Immediate Office of the Secretary (Includes the Immediate Office and the Office of the Deputy Secretary)

Secretary of Agriculture, EX-1.
Deputy Secretary, EX-2.
Special Assistant to the Secretary, ES-5.
Executive Assistant to the Secretary, ES-3.
Special Assistant to the Secretary, ES-3.
Special Assistant to the Secretary, ES-3.
Special Assistant to the Secretary. ES-3.
Assistant to the Secretary, ES-3.
Confidential Assistant to the Executive Assistant, GM15/0.
Confidential Assistant to the Secretary, GM15/0.
Confidential Assistant to the Executive Assistant, GM15/0.
Special Assistant to the Secretary, GM15/0.
Confidential Assistant to the Secretary, GM15/0.
Assistant to the Deputy Secretary, GM15/0.
Special Assistant to the Assistant Secretary, GM15/0.
Confidential Assistant to the Deputy Secretary, GM15/0.
Private Secretary to the Deputy Secretary, GS12/1.
Confidential Assistant to the Secretary, GS12/1.
Confidential Assistant to the Executive Assistant, GS11/1.
Staff Assistant to the Executive Assistant, GS10/8.
Secretary (Stenography), GS9/6.
Secretary (Typing), GS9/1.
Private Secretary to the Special Assistant, GS9/1.
Office Asst (Receptionist), GS8/1.
Office Asst (Typing), GS6/3.
Clerk Typist, GS3/1.
Clerk Typist, GS2/1.
Chauffeur to the Secretary, WG8/5.
Staff Assistant, GS8/4.
Staff Assistant, GS8/2.

Under Secretary for Small Community and Rural Development

Under Secretary, EX-3.
Deputy Under Secretary, ES-3.
Confidential Assistant to Under Secretary, GM14/0.
Confidential Assistant to Under Secretary, GM12/6.
Private Secretary to Under Secretary, GS9/1.
Secretary (Stenography), GS7/1.

Under Secretary for International Affairs and Commodity Programs

Under Secretary, EX-3.
Deputy Under Secretary, ES-6.
Confidential Assistant to Under Secretary, GM15/0.

Private Secretary to Under Secretary, GS11/3.
Private Secretary to Deputy Under Secretary, GS9/2.
Secretary (Stenography), GS7/1.

Assistant Secretary for Administration

Assistant Secretary, EX-4.
Deputy Assistant Secretary, ES-3.
Deputy Assistant Secretary, ES-3.
Special Assistant to the Assistant Secretary, GM15/0.
Special Assistant to the Deputy Assistant Secretary, GS9/5.
Private Secretary to the Assistant Secretary, GS9/10.
Private Secretary to the Deputy Assistant Secretary, GS9/4.

Assistant Secretary for Food and Consumer Services

Assistant Secretary, EX-4.
Deputy Assistant Secretary, ES-1.
Special Assistant to Assistant Secretary, GM14/0.
Private Secretary to Deputy Assistant Secretary, GS9/1.
Secretary (Typing), GS7/3.

Assistant Secretary for Governmental and Public Affairs

Assistant Secretary, EX-4.
Deputy Assistant Secretary, ES-30.
Confidential Assistant to the Assistant Secretary, GM15/0.
Confidential Assistant to the Assistant Secretary, GS11/4.
Private Secretary to the Assistant Secretary, GS11/1.
Staff Assistant to the Assistant Secretary, GS9/1.

Assistant Secretary for Marketing and Inspection Services

Assistant Secretary, EX-4.
Deputy Assistant Secretary, ES-5.
Deputy Assistant Secretary, ES-1.
Confidential Assistant to the Assistant Secretary, GM15/0.
Private Secretary to Assistant Secretary, GS11/1.
Private Secretary to Deputy Assistant Secretary, GS9/1.

Assistant Secretary for Economics

Assistant Secretary, EX-4.
Deputy Assistant Secretary, ES-4.
Special Assistant to Assistant Secretary, GM15/0.
Confidential Assistant to Assistant Secretary, GM14/0.
Private Secretary to Assistant Secretary, GS11/1.
Private Secretary to Deputy Assistant Secretary, GS9/1.

Assistant Secretary for Natural Resources and Environment

Assistant Secretary, EX-4.
Deputy Assistant Secretary, ES-3.
Deputy Assistant Secretary, ES-3.
Private Secretary to the Assistant Secretary, GS10/2.
Private Secretary to the Deputy Assistant Secretary, GS9/10.
Secretary (Stenography), GS8/9.

Assistant Secretary for Science and Education

Assistant Secretary, EX-4.
Deputy Assistant Secretary, ES-4.
Confidential Assistant to Assistant Secretary, GM15/0.
Confidential Assistant to Assistant Secretary, GS11/2.
Private Secretary to the Assistant Secretary, GS11/1.
Secretary (Stenography), GS9/1.

OBJECT CLASSIFICATION

Mr. WHITTEN. Would you please provide for the record an object classification table for fiscal years 1985, 1986, and 1987 for the Office of the Secretary and each Office of Assistant Secretary and Under Secretary.

Mr. DEWHURST. We will be happy to provide you with the information.

[The information follows:]

OFFICE OF THE SECRETARY
IMMEDIATE OFFICE

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	1,131,507	993,000	981,000
1200	Personnel Benefits	130,038	109,000	107,000
1300	Benefits Former Personnel	1,475	1,000	0
	Total	1,263,020	1,103,000	1,088,000
2100	Travel	91,151	108,000	113,000
2200	Transportation of Things	4,513	2,000	3,000
2320	Rental Payments to Others	25,000	0	19,000
2330	Communications, Utilities and Other Rent	441,103	214,000	187,000
2400	Printing and Reproduction	199,466	144,000	118,000
2500	Other Services	233,913	108,000	204,000
2600	Supplies	72,669	37,000	50,000
3100	Equipment	21,038	7,000	8,000
	Total Other Objects	1,088,853	620,000	702,000
Total Direct Obligations		2,351,873	1,723,000	1,790,000

OFFICE OF THE SECRETARY
ADMINISTRATION

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	352,893	396,000	391,000
1200	Personnel Benefits	33,041	43,000	43,000
1300	Benefits Former Personnel	0	0	0
	Total	385,934	439,000	434,000
2100	Travel	11,766	6,000	10,000
2200	Transportation of Things	0	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	0	11,000	18,000
2400	Printing and Reproduction	0	9,000	9,000
2500	Other Services	9,017	8,000	18,000
2600	Supplies	6,775	2,000	5,000
3100	Equipment	0	1,000	1,000
	Total Other Objects	27,558	37,000	61,000
Total Direct Obligations		413,492	476,000	495,000

OFFICE OF THE SECRETARY
INTERNATIONAL AFFAIRS

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	367,665	314,000	310,000
1200	Personnel Benefits	31,442	34,000	34,000
1300	Benefits Former Personnel	0	0	0
	Total	399,107	348,000	344,000
2100	Travel	16,992	25,000	28,000
2200	Transportation of Things	0	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	968	50,000	49,000
2400	Printing and Reproduction	75	35,000	29,000
2500	Other Services	5,473	25,000	49,000
2600	Supplies	817	9,000	12,000
3100	Equipment	272	2,000	2,000
	Total Other Objects	24,597	146,000	169,000
Total Direct Obligations		423,704	494,000	513,000

OFFICE OF THE SECRETARY
SMALL COMMUNITY AND RURAL DEVELOPMENT

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	282,127	316,000	312,000
1200	Personnel Benefits	25,780	59,000	58,000
1300	Benefits Former Personnel	0	0	0
	Total	307,907	375,000	370,000
2100	Travel	1,936	105,000	8,000
2200	Transportation of Things	82	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	0	84,000	16,000
2400	Printing and Reproduction	0	7,000	9,000
2500	Other Services	2,633	205,000	14,000
2600	Supplies	968	2,000	4,000
3100	Equipment	0	0	1,000
	Total Other Objects	5,619	403,000	52,000
Total Direct Obligations		313,526	778,000	422,000

OFFICE OF THE SECRETARY
OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	229,030	277,000	274,000
1200	Personnel Benefits	24,598	30,000	30,000
1300	Benefits Former Personnel	0	0	0
	Total	253,628	307,000	304,000
2100	Travel	(277)	4,000	6,000
2200	Transportation of Things	0	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	899	9,000	13,000
2400	Printing and Reproduction	0	6,000	7,000
2500	Other Services	1,063	4,000	12,000
2600	Supplies	385	2,000	3,000
3100	Equipment	0	0	0
	Total Other Objects	2,070	25,000	41,000
Total Direct Obligations		255,698	332,000	345,000

OFFICE OF THE SECRETARY
ECONOMICS

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	296,477	309,000	305,000
1200	Personnel Benefits	31,289	34,000	33,000
1300	Benefits Former Personnel	0	0	0
	Total	327,766	343,000	338,000
2100	Travel	22,952	22,000	24,000
2200	Transportation of Things	204	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	1,000	43,000	43,000
2400	Printing and Reproduction	213	29,000	25,000
2500	Other Services	6,678	22,000	43,000
2600	Supplies	5,944	8,000	11,000
3100	Equipment	1,232	1,000	1,000
	Total Other Objects	38,223	125,000	147,000
Total Direct Obligations		365,989	468,000	485,000

OFFICE OF THE SECRETARY
MARKETING AND INSPECTION SERVICE

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	215,783	257,000	254,000
1200	Personnel Benefits	16,206	28,000	28,000
1300	Benefits Former Personnel	0	0	0
	Total	231,989	285,000	282,000
2100	Travel	10,568	10,000	12,000
2200	Transportation of Things	0	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	1,000	20,000	22,000
2400	Printing and Reproduction	0	13,000	13,000
2500	Other Services	2,961	10,000	21,000
2600	Supplies	788	3,000	4,000
3100	Equipment	0	1,000	1,000
	Total Other Objects	15,317	57,000	73,000
Total Direct Obligations		247,306	342,000	355,000

OFFICE OF THE SECRETARY
NATURAL RESOURCES AND ENVIRONMENT

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	259,940	320,000	316,000
1200	Personnel Benefits	26,687	35,000	35,000
1300	Benefits Former Personnel	0	0	0
	Total	286,627	355,000	351,000
2100	Travel	4,149	4,000	7,000
2200	Transportation of Things	0	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	1,761	9,000	13,000
2400	Printing and Reproduction	170	6,000	8,000
2500	Other Services	2,968	4,000	13,000
2600	Supplies	3,445	2,000	2,000
3100	Equipment	1,449	0	1,000
	Total Other Objects	13,942	25,000	44,000
Total Direct Obligations		300,569	380,000	395,000

OFFICE OF THE SECRETARY
FOOD AND CONSUMER SERVICES

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	215,828	255,000	252,000
1200	Personnel Benefits	19,372	28,000	27,000
1300	Benefits Former Personnel	0	0	0
	Total	235,200	283,000	279,000
2100	Travel	(812)	11,000	12,000
2200	Transportation of Things	235	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	0	21,000	23,000
2400	Printing and Reproduction	124	14,000	14,000
2500	Other Services	7,297	11,000	23,000
2600	Supplies	2,764	4,000	6,000
3100	Equipment	0	1,000	1,000
	Total Other Objects	9,608	62,000	79,000
Total Direct Obligations		244,808	345,000	358,000

OFFICE OF THE SECRETARY
SCIENCE AND EDUCATION

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Object Class	Title	1985	1986	1987
1100	Personnel Compensation	259,466	313,000	309,000
1200	Personnel Benefits	23,556	34,000	34,000
1300	Benefits Former Personnel	0	0	0
	Total	283,022	347,000	343,000
2100	Travel	15,830	5,000	6,000
2200	Transportation of Things	102	0	0
2320	Rental Payments to Others	0	0	0
2330	Communications, Utilities and Other Rent	1,000	6,000	11,000
2400	Printing and Reproduction	79	4,000	5,000
2500	Other Services	14,282	3,000	11,000
2600	Supplies	3,426	1,000	3,000
3100	Equipment	566	0	1,000
	Total Other Objects	35,285	19,000	37,000
Total Direct Obligations		318,307	366,000	380,000

TRAVEL

Mr. WHITTEN. Would you please provide for the record a table showing the travel request for each agency of the Department for fiscal years 1985, 1986, and 1987?

[The information follows:]

USDA AGENCY OBJECT CLASS 21—TRAVEL

[Dollars in thousands]

	1985	1986	1987
Department of Agriculture:			
Office of the Secretary	356	420	326
Department Administration	1,317	1,527	1,567
Office of Governmental and Public Affairs	95	170	196
Office of the Inspector General	4,383	5,638	5,464
Office of the General Counsel	264	300	350
Agricultural Research Service	7,522	7,529	7,772
Cooperative State Research Service	564	754	709
Extension Service	606	659	274
National Agricultural Library	64	80	80
Statistical Reporting Service	1,147	1,323	1,437
Economic Research Service	698	910	851
World Agricultural Outlook Board	20	30	33
Foreign Agricultural Service	2,441	2,775	2,942
Office of International Cooperation and Development	3,634	3,475	3,321
Agricultural Stabilization and Conservation Service	4,283	4,987	4,933
Federal Crop Insurance Corporation	4,610	6,050	5,516
Office of Rural Development Policy	27	9	0
Rural Electrification Administration	1,716	1,968	1,603
Farmers Home Administration	18,306	22,924	22,454
Soil Conservation Service	12,188	12,351	9,381
Animal and Plant Health Inspection Service	10,426	10,252	6,663
Federal Grain Inspection Service	1,168	1,426	1,426
Agricultural Marketing Service	11,232	11,641	11,439
Office of Transportation	93	61	20
Food Safety and Inspection Service	19,314	18,746	20,473
Food and Nutrition Service	3,288	3,408	3,255
Human Nutrition Information Service	40	42	50
Packers and Stockyards Administration	548	667	671
Agricultural Cooperative Service	143	147	100
Forest Service	55,131	65,335	45,779
Total	165,624	185,604	159,085

EQUIPMENT

Mr. WHITTEN. Would you please provide a table for the equipment account for each agency for fiscal years 1985, 1986, and 1987?

[The information follows:]

USDA AGENCY OBJECT CLASS 31—EQUIPMENT

[Dollars in thousands]

	1985	1986	1987
Department of Agriculture:			
Office of the Secretary	30	17	17
Departmental Administration	10,940	13,429	15,313
Office of Governmental and Public Affairs	147	83	109
Office of the Inspector General	2,282	1,400	1,400

USDA AGENCY OBJECT CLASS 31—EQUIPMENT—Continued

[Dollars in thousands]

	1985	1986	1987
Office of the General Counsel	27	0	0
Agricultural Research Service	31,754	32,843	33,836
Cooperative State Research Service	330	370	371
Extension Service	307	239	102
National Agricultural Library	682	600	600
Statistical Reporting Service	1,284	2,133	1,615
Economic Research Service	1,683	623	617
World Agricultural Outlook Board	52	68	68
Foreign Agricultural Service	2,857	939	1,302
Office of International Cooperation and Development	459	440	402
Agricultural Stabilization and Conservation Service	468	929	871
Federal Crop Insurance Corporation	761	1,100	1,003
Commodity Credit Corporation	44,611	65,000	9,000
Office of Rural Development Policy	1	0	0
Rural Electrification Administration	335	395	150
Farmers Home Administration	3,497	3,447	4,062
Soil Conservation Service	26,356	21,252	14,030
Animal and Plant Health Inspection Service	16,465	11,527	5,427
Federal Grain Inspection Service	781	724	724
Agricultural Marketing Service	2,951	2,727	2,647
Office of Transportation	45	12	0
Food Safety and Inspection Service	3,624	2,084	2,163
Food and Nutrition Service	1,001	319	3,444
Human Nutrition Information Service	103	455	90
Packers and Stockyards Administration	146	235	245
Agricultural Cooperative Service	161	100	60
Forest Service	69,109	75.31	66,409
Total	223,249	238,521	166,277

PASSENGER MOTOR VEHICLES

Mr. WHITTEN. Would you please provide for the record a table showing the number of vehicles owned by the Department of Agriculture, by agency, for fiscal years 1985, 1986 and 1987?

[The information follows:]

Agency	1985	1986	1987
Departmental Administration	1	1	1
Agricultural Research Service	472	472	472
Foreign Agricultural Service	31	36	38
Agricultural Marketing Service	56	52	57
Animal and Plant Health Inspection Service	608	679	679
Soil Conservation Service	2,099	2,189	2,189
Statistical Reporting Service	14	15	16
Farmers Home Administration	11	11	11
Agricultural Stabilization and Conservation Service	4	4	4
Forest Service	1,055	1,209	1,219
Total	4,351	4,668	4,686

STUDIES

Mr. **Whitten**. The Farm Bill requires the Department to carryout a number of studies. Would you please list these studies for the record, along with a brief description of each?

Mr. **Dewhurst**. Yes, sir. I will provide that for the record.

[The information follows:]

Department of Agriculture Studies
Required by Food Security Act of 1985

Title I -- Dairy

Sec. 106 Casein Study
Determine impact of casein imports on milk price support program.

Title X -- General Commodity Provisions

Sec. 1022 Crop Insurance Study
Study desirability of crop insurance coverage of winterkill of wheat and practices regarding offsetting winter and spring wheat.

Title XI -- Trade

Sec. 1134 Foreign Exchange Risks
To determine the feasibility, practicability, and cost of implementing a program to reduce the risk of foreign exchange fluctuations incurred by purchasers participating in U.S. export credit promotion program.

Sec. 1152 Apricot Imports and Subsidies
To determine the effect of apricot imports into the U.S. on the domestic apricot industry and the extent and nature of apricot subsidies in the exporting countries.

Sec. 1155 Imports of Ethanol from Brazil
To determine the impact that the import of Brazilian ethanol has on the domestic price of corn and other grains and the domestic ethanol refining industry.

Sec. 1156 Oat Imports
To determine the impact on domestic farm programs of increased oat imports into the U.S.

Sec. 1162 Export Displacement
To access the impact of USDA agricultural assistance overseas of efforts to promote the export of U.S. agricultural commodities.

Title XII -- Conservation

Sec. 1251 Study of Technical Assistance for Water Resources
Evaluation of technical assistance and plans for water resource conservation.

Sec. 1252 Resource Conservation Act Update
Continue RCA resource appraisals and programs developed by the Secretary.

Title XIII -- Credit

Sec. 1304 Water and Waste Disposal Facilities
Study of particality of making loans for individual and other alternative water and waste disposal facilities rather than central community facilities.

Sec. 1313 Appeals
Study of appeals procedure used in FmHA, including number and disposition of appeals, feasibility of using administrative law judges, desirability of electing county committee members, and other related objectives.

Sec. 1329 Study of Farm and Home Plan
Study of the current application form for FmHA loans and evaluate alternative forms.

Title XIV -- Research and Extension

Sec. 1435(c) Smith-Lever Formula
To determine whether formula for distribution of Smith-Lever funds should be modified.

Sec. 1437 Pesticide Resistance
To review ongoing efforts to identify the mechanisms, historical trends of pesticide resistance among target populations and to provide a strategy to establish a national pesticide resistance monitoring program.

Sec. 1438 Expansion of Agriculture Education Study
Expand National Academy of Sciency study to assess the potential use of modern technology in teaching agriculture at the secondary level.

Sec. 1452 Human Nutrition Research
Develop a comprehensive plan for implementing a national food and human nutrition research program including researhc topics, educational activities and necessary funding levels.

Sec. 1453 Dietary Cholesterol and Calcium
Compile an assessment of existing literature and research relating to: (1) the relationship between dietary cholesterol and blood cholesterol; (2) dietary calcium and its importance in human nutrition. (Joint project with Secretary and Health and Human Services.)

Sec. 1464 Agricultural Productivity Research
Inventory and classify by subject matter available studies and reports developed with USDA financial assistance which could be used to promote farming systems which conserve energy and natural resources and reduce soil erosion.

Title XV -- Food Stamp and Related Provisions

Sec. 1507 Food Stamp Program (FSP) Categorical Eligibility Provision
Evaluate effect of considering ADFC/SSI recipients automatically eligible for FSP on program administration, error rates, eligibility levels, benefit costs, and other factors.

Sec. 1517 Employment and Training Program
Determine effectiveness of State programs in terms of number of households obtaining employment

Sec. 1520 Simplified Application/Standardized Benefits Project
Evaluate impact on households, administrative costs and error rates. (Number of projects limited to: 5 statewide and 5 local sites.)

Sec. 1531 FSP Information and Simplified Application at Social Security Administration Offices
Report on nature and extent of costs incurred by HHS to inform SSA applicants and recipients of FSP and to assist such persons to complete a simplified FSP application.

Sec. 1537 State ADP and Computerized Information Systems
Evaluate degree and sufficiency of State ADP systems and make an analysis of additional needs.

Sec. 1538 Quality Control Studies
Examine how to operate QC systems to best: a) improve State performance; and b) provide reasonable data for sanctions.

Sec. 1539 Geographic Error-Prone Profiles
Use QC data to identify FSP areas with error rates that impair FSP integrity and describe procedures needed to improve situation.

Sec. 1564 Temporary Emergency Food Assistance Program (TEFAP) Report on Commodity Availability
List types and amounts of commodities made available for distribution under this Act.

Sec. 1566 TEFAP Report on Commodity Displacement
Report on "whether and to what extent" TEFAP commodity distributions result in displacement of or substitution for commercial sales.

Sec. 1571 TEFAP Report on Program Operations
Collect data on: volume and types of commodities distributed; types of State and local agencies distributing; populations served; Federal, State, and local costs; and the amount of Federal funds provided.

Sec. 1587 Nutrition Education Program--Administration
Evaluate effectivness of FSP/Extension Service Nutrition Education Program for low income individuals.

Title XVI -- Marketing

Sec. 1672 New Grain Classification Methods
To develop new grain classifications that take into account other characteristics in addition to visual appearance.

Title XVII -- Miscellaneous

Sec. 1735 Federal Assistance to the Aquaculture Industry
Study the extent to which the U.S. aquaculture industry has access to relevant Federal programs which assist the agricultural sector.

Sec. 1742 and 1743 Commodity Futures-Market Study and Pilot Program
Assess the manner and extent to which producers can obtain price stability and income protection benefits through increased participation in commodity futures and options markets, and the budget impact on Federal programs compared with the cost of price support programs. Also conduct a pilot program in connection with the study in which producers would use the futures or options market in place of price support loans.

Sec. 1765 Unleaded Fuel in Agricultural Machinery
Assess the impact of unleaded fuel use on agricultural machinery, and develop lead level standards for fuel used in agricultural machinery. (Study to be conducted jointly by EPA and USDA.)

Sec. 1774 Strategic Ethanol Reserve
Determine the cost effectiveness, economic benefits, and feasibility of establishing, maintaining and utilizing a Strategic Ethanol Reserve relative to the existing Strategic Petroleum Reserve.

Mr. WHITTEN. Would you please provide a summary table for the record giving the estimated cost of completing each of these studies?

Mr. DEWHURST. Yes, sir.

[The information follows:]

PROJECTED COST OF NEW STUDIES AND REPORTS REQUIRED BY FOOD SECURITY ACT OF 1985 [1]

Farm bill section No.	Item	Fiscal years; dollars			Agencies involved
		1986	1987	Total; 1986–87	
106	Casein Study	35,000		35,000	ERS
107	Milk Distribution Report	30,000	30,000	60,000	AMS, ASCS
308	Report on PIK Payment Price Effect (also required by secs. 401, 501, and 601).	2,350	2,350	4,700	ASCS, ERS
901	Report on Sugar Price Support	4,800		4,800	ASCS
1022	Crop Insurance Study				FCIC
1023	Cost of Production Board	15,000		15,000	Advisory Board
1109	Section 416 Report	2,300	2,300	4,600	FAS
1129	Pilot Barter Program Report	300		300	FAS
1132	Agricultural Attache Reports	19,500	19,500	39,000	FAS
1134	Foreign Exchange Risk Study	50,000		50,000	ERS, FAS
1152	Apricot Import Study	2,100		2,100	FAS
1155	Ethanol Import Study	23,900		23,900	ERS
1156	Oat Import Study	47,000		47,000	ASCS, ERS
1162	Export Displacement Study	8,400	4,600	13,000	OICD, FAS, ERS
1163	Dairy Export Sales Report	500	500	1,000	FAS, ASCS
1166	Report of End Users of Imported Tobacco	15,000	15,000	30,000	AMS
1251	Water Resource Assistance Study		5,000	5,000	SCS
1255	Farmland Protection Policy Report	2,000	2,000	4,000	SCS
1304	Water and Waste Facilities Study			18,000	FmHA
1313	FmHA Appeals Study	23,000		23,000	FmHA
1329	Farm and Home Plan Study	10,000		10,000	FmHA
1420	Report on Information Exchange with Ireland	400	400	800	OICD
1435	Smith-Lever Formula Study	15,000		15,000	ES
1437	Pesticide Resistance Study	10,000		10,000	ARS
1438	Expanded Education Study	50,000		50,000	CSRS
1452	Human Nutrition Research Plan	5,000		5,000	ARS
1453	Cholesterol and Calcium Study	40,000		40,000	ARS
1464	Agricultural Productivity Research Study	50,000		50,000	CSRS
1507	Food Stamp Eligibility Study	213,500	9,000	222,500	FNS
1517	Employment and Training Program Study	627,000	1,423,000	2,050,000	FNS
1520	Simplified Application Study	22,500	1,022,500	1,045,000	FNS
1531	Report on Food Stamp Application at Social Security Offices.	4,500	4,500	9,000	FNS
1537	Study of State ADP Systems	36,000	36,000	72,000	FNS
1538	Quality Control Studies	948,500	75,000	1,023,500	FNS
1539	Report on Food Stamp Prog. Error Rates	18,000	4,500	22,500	FNS
1564	TEFAP Distribution Report		18,000	18,000	FNS
1566	TEFAP Commodity Displacement Report	105,000		105,000	FNS
1571	TEFAP Program Operation Report	1,027,000		1,027,000	FNS
1587	Nutrition Education Study				FNS, ES
1742 and 1743	Futures Market Study and Pilot Program	185,000	920,000	1,105,000	ERS, ES, ASCS
1765	Unleaded Fuel Study	42,400		42,400	ERS, ARS
1767	Potato Advisory Commission Report	200	200	400	FAS
1774	Strategic Ethanol Reserve Study	43,950		43,950	ERS
Conference report	Report on Acreage Limitation Effects	11,750	11,750	23,500	ASCS, ERS
Total		3,386,350	3,606,100	[1] 7,370,950	

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[1] Excludes those studies and reports required by the 1985 farm bill for which the Department of Agriculture has no direct responsibility. Also excludes ongoing or previously planned studies, reports, and activities which were also in the farm bill. New or expanded requirements are included. Excludes approximately $1.5 to $2 million costs for fiscal year 1986–87 for new commissions listed elsewhere.

Note: These estimates are highly tentative. They are estimates of costs to meet study requirements and are not estimates of funds budgeted or actually available to do the work.

Mr. WHITTEN. Would you please provide for the record a description of each commission or committee that would be established by the new Farm Bill, as well as an estimate of the cost of such commission or committee?

Mr. DEWHURST. Yes, sir.

[The information follows:]

NEW COMMISSIONS REQUIRED BY THE FOOD SECURITY ACT OF 1985

NATIONAL AGRICULTURAL POLICY COMMISSION

Section 1723 establishes a National Commission on Agricultural Policy. It is to conduct a study of the structure, procedures and methods of formulating and administering agricultural policies and programs in the U.S. In addition it is to analyze trends in economic and demographic conditions in rural areas and implications for the provision of public services in rural areas by Federal, state and local governments. A report is due December, 1986 and annually thereafter thru 1990.

The President is to appoint 15 members (from a list of nominees submitted by state governors) to the Commission.

The chairmen and ranking minority members of the House and Senate Agriculture committees will also serve as ex officio members of the Commission.

The Commission will terminate in December, 1990. Estimated costs are $250,000 to $500,000 for FY 1986 and $500,000 to $750,000 per year for the remaining four years. The legislation authorizes appropriations as necessary for this Commission and the extent practicable, requires use of funds appropriated for USDA Advisory Committees. No funds have been appropriated for this Commission either separately or as part of the Advisory Committee Appropriation.

NATIONAL ADVISORY COMMISSION ON AGRICULTURAL EXPORT TRANSPORTATION POLICY

Section 1142 establishes a commission to study the ocean transportation of agricultural exports under cargo preference laws and to develop recommendations for improving efficiency of such transportation.

The President is to appoint 8 members to the commission. The chairmen and ranking minority members of the Agriculture and the Merchant Marine committees of Congress would also serve as members.

This commission would terminate in 2 years. Estimated costs are $200,000 to $400,000 for FY 1986-FY 1987. Both the Secretary of Agriculture and the Secretary of Transportation would be required to provide staff and administrative support.

NATIONAL COMMISSION ON DAIRY POLICY

Section 143 establishes a commission to study the Federal price support program for milk and develop recommendations for its future operation. It is to consider the effectiveness of the program in preventing future surpluses of dairy products. And the implications of new technologies for surplus production and on the future structure of the milk production industry are to be considered.

The Secretary of Agriculture is to appoint 18 members to the commission, at least 12 of which are to be from a list of nominees submitted by the chairmen and ranking minority members of the Agriculture committees of Congress.

The Commission is to terminate after submission of its final report on March 31, 1987.

Estimated costs are $500,000 to $750,000 for FY 1986-FY 1987. The Farm Bill authorizes the use of contributions from the private sector to support the Commission, and it also authorizes transfer of up to $1 million from the Commodity Credit Corporation if contributions are insufficient.

CONGRESSIONAL LIAISON

Mr. WHITTEN. Would you please provide for the record the number of people assigned to each office or agency of the Department of Agriculture for congressional affairs and the budget for congressional affairs for fiscal years 1985, 1986, and 1987?

[The information follows:]

USDA CONGRESSIONAL LIAISON

[Dollars in thousands]

Agency	1985		1986		1987	
	End-of-year employment	Staff-years	End-of-year employment	Staff-years	End-of-year employment	Staff-years
FSIS:						
Professional	2	2.0	2	2.0	2	2.0
Clerical	2	2.0	2	2.0	2	2.0
Budget authority	$119		$120		$122	
ASCS:						
Professional	1	1.0	1	1.0	1	1.0
Clerical						
Budget authority	$44		$45		$47	
FGIS:						
Professional	2	1.0	2	1.0	2	1.0
Clerical	1	.1	1	.1	1	.1
Budget authority	$48		$48		$48	
REA:						
Professional	1	1.5	1	0.8	1	1.0
Clerical		.5	1	0.5	1	1.0
Budget authority	$95		$50		$70	
APHIS:						
Professional	3	1.0	3	1.0	3	1.0
Clerical						
Budget authority	$62		$59		$50	
FmHA:						
Professional	4	5.9	6	6.0	6	6.0
Clerical	2	1.8	2	1.8	2	1.8
Budget authority	$280		$270		$275	
FNS:						
Professional	4	4.0	3	3.7	4	4.0
Clerical	2	2.0	2	2.0	2	2.0
Budget authority	$237		$215		$215	
AMS:						
Professional	2	2.0	2	2.0	2	2.0
Clerical	1	1.0	1	1.0	1	1.0
Budget authority	$131		$134		$134	
FCIC:						
Professional	2	1.7	1	.9	1	1.0
Clerical	1	.3	1	.3	1	.3
Budget authority	$46		$24		$23	
FAS:						
Professional	2	2.0	2	2.0	2	2.0
Clerical	1	1.0	1	1.0	1	1.0
Budget authority	$107		$115		$115	
SCS:						
Professional	2	1.0	3	3.0	3	3.0
Clerical	1	1.0	1	1.0	1	1.0
Budget authority	$66		$177		$177	
ORDP:						
Professional		.3				
Clerical						
Budget authority	$12					
OGPA:						
Professional	8	8.0	8	8.0	8	8.0
Clerical	3	3.0	3	3.0	3	3.0
Budget authority	$420		$492		$486	
ARS:						
Professional	1	1.0	1	1.0	1	1.0
Clerical	2	1.8	2	2.0	2	2.0
Budget authority	$140		$133		$133	
FS:						
Professional	1	1.0	1	1.0	1	1.0
Clerical	1	.5	1	.5	1	.5

USDA CONGRESSIONAL LIAISON—Continued

[Dollars in thousands]

Agency	1985		1986		1987	
	End-of-year employment	Staff-years	End-of-year employment	Staff-years	End-of-year employment	Staff-years
Budget authority	$56		$53		$55	
OIG:						
Professional						
Clerical						
Budget authority	$25		$26		$26	
OICD:						
Professional	1	.2	1	.2	2	.5
Clerical						
Budget authority	$12		$12		$24	
PSA:						
Professional		.3		.4		.4
Clerical		.1		.1		.1
Budget authority	$22		$28		$28	
Total:						
Professional	36	33.9	37	34.0	39	34.9
Clerical	17	15.1	18	15.3	18	15.8
Budget authority	$1,922		$2,001		$2,028	

TERMINATION COSTS—SCS

Mr. WHITTEN. Please provide for the record a table which shows, by agency, the termination costs for personnel proposed in the 1987 Budget.

Mr. DEWHURST. The Soil Conservation Service is the only agency that has termination costs for personnel reductions proposed in the 1987 Budget. I will be glad to provide a table for the record showing these costs.

[The information follows:]

SOIL CONSERVATION SERVICE
TERMINATION AND PHASE-DOWN COSTS - FY 1987
(Thousands of dollars)

ACCOUNT/ITEM	3 to 6 Months Salaries and Support Costs for Terminating Employees	Lump sum Payments Voluntary Resign. /Retire	TERMINATIONS Lump Sum Leave	TERMINATIONS Severance Pay	TERMINATIONS Administrative Costs 1/	TERMINATIONS Special Costs 2/	TERMINATIONS Total
CONSERVATION OPERATIONS:							
1 Technical Assistance.............	--	--	--	--	--	--	--
2. Inventory and monitoring..........	$3,693	$177	$850	$3,929	$907	$133	$9,689
3. Soil Surveys......................	--	--	--	--	--	--	--
4. Snow survey and water forecasting.	--	--	--	--	--	--	--
5. Plant materials centers...........	--	--	--	--	--	--	--
6. Resource appraisal & prog. devel..	461	26	122	565	68	483	1,725
Total, Conservation Operations......	4,154	203	972	4,494	975	616	11,414
RIVER BASIN SURVEYS & INVESTIGATIONS..	3,635	170	817	3,777	739	334	9,472
WATERSHED PLANNING..................	1,720	131	633	1,406	424	2,166	6,480
WATERSHED AND FLOOD PREV. OPERS.:.....							
1. Flood Prevention Operations.......	3,160	242	865	1,922	647	5,564	12,400
2. Emergency........................	696	53	256	569	96	(564)	1,106
3. Small Watersheds..................	15,516	1,186	5,707	12,682	2,258	16,923	54,272
Total, W&FPO........................	19,372	1,481	6,828	15,173	3,001	21,923	67,778
GREAT PLAINS CONSERVATION PROGRAM.....	-0-	-0-	-0-	-0-	-0-	-0-	-0-
RESOURCE CONSERVATION & DEVELOPMENT...	4,189	185	888	4,107	760	1,271	11,400
TOTAL...............................	33,070	2,170	10,138	28,957	5,899	26,310	106,544

1/ Includes such items as rent, utilities, printing and reproduction, and transfer of material to the National Archives.

2/ Includes contract modifications in GPCP; termination costs for cooperative agreements, leases and contracts.

RURAL HOUSING LOANS

Mr. WHITTEN. Would you please describe for the Committee the status of rural housing loans? Are they proposed for deferral or proposed for rescission, and if so, when were they reported?

Mr. DEWHURST. There is a $700 million proposed deferral of the direct and insured loan authorizations which is currently pending within the Office of Management and Budget. The formal transmittal of the deferral to Congress, I am told, will be accomplished shortly.

Mr. WHITTEN. When were they first withheld from obligation?

Mr. DEWHURST. The $700 million has been withheld from apportionment pending the enactment of Supplemental Appropriation language which would reduce the authorized loan levels by $700 million. The $700 million, however, has not been withheld from obligation because the $700 million would have been made available in the 3rd and 4th quarters of the fiscal year.

APPROPRIATION ACCOUNTS

Mr. WHITTEN. What is the current status of each of the 1986 appropriation accounts that were made subject for receipt of an official budget request?

Mr. DEWHURST. The $4 billion in funds for the Commodity Credit Corporation was approved on December 19, 1985. The Child Nutrition Programs request was forwarded to the Hill the day the President's budget was submitted. At this time the FSIS proposal is still pending.

[CLERK'S NOTE: FSIS funds were released on March 4, 1986 ($5.7 million).]

CCC REIMBURSEMENT FOR NET REALIZED LOSSES

Mr. WHITTEN. During fiscal year 1986, we will likely end up having to appropriate $21–$22 billion in order to restore net realized losses of the Commodity Credit Corporation. The budget estimate for fiscal year 1987 is approximately $16 billion. Unless there is an appreciable change in the farm economy, is there any reason to expect that the restoration will not be in the order of magnitude that it was for fiscal year 1986?

Mr. DEWHURST. Our FY 1987 appropriation estimate is in line with FY 1987 outlays projected in the Budget. When CCC is at or near the legal outstanding borrowing limit at the beginning of a fiscal year, its annual cash appropriation needs will approximate its annual outlay estimate. Without any change in the borrowing authority ceiling, we anticipate this condition will continue in FY 1987. In fiscal year 1987, the first year that the new Farm Bill will be fully in effect, CCC outlays are expected to decline to $16.2 billion. This decrease is attributed primarily to lower projected loan activity for 1986 crops as a result of reduced loan rates under the new Farm Bill, and to partial 1986-crop deficiency payments being made in advance at producer signup. The $16.8 billion in appropriations requested in the Budget under permanent indefinite authority was the best estimate possible in January 1986, but will be subject to revision for program announcements made subsequent to the January estimates, pending legislation, and updated supply/demand estimates as the year progresses. As you know, it is virtually impossible to accurately project CCC spending requirements for crops not yet planted. Therefore, there is considerable likelihood that appropriation needs will be more, or less, than the Budget estimate. Our request for permanent, indefinite budget authority reflects this likelihood.

CCC REVOLVING FUND

Mr. WHITTEN. The Commodity Credit Corporation is a $25 billion revolving fund. In view of the amount that is currently committed to outstanding loans and inventory and other commitments, how much of the $25 billion actually revolves?

Mr. DEWHURST. The CCC revolving fund only "revolves" to the extent that its cash outlays for loans and commodity purchases are recycled in the form of loan repayments and related interest payments to CCC, and through sales of inventories. The Corporation's other cash outlays for deficiency and diversion payments, and other activities have no potential for receipts, and thus do not "revolve." These outlays are therefore nonrecoverable, and together with eventual losses on inventory dispositions, constitute the Corporation's realized losses.

Even though the CCC's nonrecoverable outlays do not revolve, they do not tie up borrowing authority for extended periods since the Congress has kept the Corporation current with regard to actual losses and, in recent years, estimated losses.

At the end of fiscal year 1985, borrowing authority invested in loans and inventories was $19.154 billion. We estimate that the FY 1986 yearend figure will be $26.050 billion and that the FY yearend figure will be $24.075 billion. The buildup in commodity loans and inventories, which has encumbered increasing portions of total available borrowing authority, demonstrates that loan and purchase outlays are not revolving, on balance. If they were, average investment would decline or stabilize at much lower levels. Using the yearend FY 1986 and FY 1987 figures, only a net of $2 billion will have been recycled from the $26.050 billion available.

While it is not possible to put an exact figure as to what part of the fund revolves, it is a relatively small part of the fund at the present time, as these figures indicate.

CCC BORROWING AUTHORITY

Mr. WHITTEN. In order to operate as a true revolving fund as the Corporation used to in years past, what should be the best size of the Corporation?

Mr. DEWHURST. A CCC borrowing authority ceiling of $40 billion would be desirable. This level would be high enough to accommodate the existing levels of outstanding loans and inventories over the life of the current Farm Bill, and would avoid emergency supplementals.

EMERGENCY RESERVE FOR AFRICAN FAMINE RELIEF

Mr. **WHITTEN**. Last year the Committee recommended and the Congress concurred in establishing a $225 million reserve under the P.L. 480 account for use in emergency feeding operations in Africa. Have any of these funds been used to date, and what anticipated usage of these funds will be made during fiscal year 1986?

Mr. **DEWHURST**. In view of the improved agricultural product situation in much of Africa, the $225 million reserve has not been needed so far this fiscal year. While at this time last year twenty countries had been identified as facing emergency food needs, this year the Food and Agriculture Organization has identified only six. We are donating food under the authority of Title II of P.L. 480 to help in these situations. It does not appear that the regular Title II funds will be sufficient to respond to needs in Africa. However, should this situation change, the availability of the $225 million assures our ability to respond.

EMPLOYMENT

Mr. **WHITTEN**. Please provide for the record a table showing USDA employment, by agency, for fiscal years 1985, 1986, and 1987.

Mr. **DEWHURST**. I will provide for the record a table showing, by agency, staff-years for fiscal years 1985, 1986, and 1987.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE—STAFF-YEARS, FISCAL YEARS 1985, 1986, and 1987
(EXCLUDES FOREST SERVICE)

Agency	1985	1986 estimate	1987 budget
Research and education:			
Agricultural Research Service	8,112	8,100	8,160
Cooperative State Research Service	111	140	140
Extension Service	199	170	90
National Agricultural Library	160	180	180
Total, research and education	8,582	8,590	8,570
International affairs and commodity programs:			
Agricultural Stabilization and Conservation Service	2,816	3,030	2,680
Foreign Agricultural Service	826	790	780
Office of International Cooperation and Development	200	190	179
Total, international affairs and commodity programs	3,842	4,010	3,639
Natural resources and environment: Soil Conservation Service	13,612	14,177	10,000
Small community and rural development:			
Farms Home Administration	12,118	12,400	11,000
Rural Electrification Administration	598	600	535
Office of Rural Development Policy	[1]26	8	0
Federal Crop Insurance Corporation	1,196	1,100	800
Total, small community and rural development	13,938	14,108	12,335
Food and consumer services:			
Human Nutrition Information Service	79	95	95
Food and Nutrition Service	2,171	2,100	2,060
Total, food and consumer service	2,250	2,195	2,155

U.S. DEPARTMENT OF AGRICULTURE—STAFF-YEARS, FISCAL YEARS 1985, 1986, and 1987 (EXCLUDES FOREST SERVICE)—Continued

Agency	1985	1986 estimate	1987 budget
Marketing and inspection services:			
Federal Grain Inspection Service	846	940	940
Animal and Plant Health Inspection Service	4,812	5,012	4,730
Food Safety and Inspection Service	9,719	9,600	9,543
Agricultural Cooperative Service	65	64	64
Agricultural Marketing Service	4,091	4,172	4,097
Office of Transportation	46	49	25
Packers and Stockyards Administration	187	185	185
Total, marketing and inspection services	19,766	20,022	19,584
Economics:			
Economic Research Service	866	902	872
Statistical Reporting Service	1,125	1,106	1,090
World Agricultural Outlook Board	29	30	30
Total, Economics	2,020	2,038	1,992
Administration:			
Office of the Secretary	96	95	95
Departmental Administration	1,909	1,937	1,870
Office of Budget and Program Analysis	76	81	80
Office of Governmental and Public Affairs	155	157	160
Office of the Inspector General	851	880	880
Office of the General Counsel	371	385	385
Total, administration	3,485	3,535	3,470
Total, U.S. Department of Agriculture	67,480	68,675	61,745

TRAINING COSTS

Mr. **Whitten**. Please provide for the record the training budget for each agency or office of the Department of Agriculture of fiscal years 1985, 1986, and 1987.

[The information follows:]

	1985	1986	1987
Agricultural Cooperative Service	17,513	20,000	18,000
Agricultural Marketing Service	480,000	500,000	500,000
Animal and Plant Health Inspection Service	1,709,197	1,723,000	1,498,000
Agricultural Research Service	641,000	800,000	800,000
Agricultural Stabilization and Conservation Service	2,260,000	2,045,000	2,175,000
Cooperative State Research Service	8,805	8,425	7,440
Departmental Administration	105,000	97,000	82,000
Economic Management Staff (ERS, SRS, WAOB, OE, EAS)	523,000	525,000	549,000
Extension Service	102,000	118,000	70,000
Foreign Agricultural Service	444,000	409,000	448,000
Federal Crop Insurance Corporation	107,344	108,000	98,000
Federal Grain Inspection Service	205,000	284,000	284,000
Farmers Home Administration	1,500,000	1,800,000	1,800,000
Food and Nutrition Service	227,000	188,000	227,000
Forest Service	5,380,953	5,111,905	4,856,310
Food Safety and Inspection Service	3,968,000	2,510,000	3,674,000
Human Nutrition Information Service	10,000	10,000	10,000
National Agricultural Library	10,000	9,500	9,500
Office of Inspector General	250,000	250,000	250,000
Office of the General Counsel	6,000	1,000	

	1985	1986	1987
Office of Governmental and Public Affairs	53,000	25,000	15,000
Office of Grants and Programs Systems	6,042	5,782	5,105
Office of Rural Development Policy	10,000		
Office of Transportation	19,013	5,000	
Office of International Cooperation and Development	83,400	75,000	60,000
Packers and Stockyards Administration	10,000	15,000	15,000
Rural Electrification Administration	122,792	140,000	125,000
Soil Conservation Service	3,414,946	3,014,946	2,110,463
Total	21,674,005	19,789,559	19,686,818

USER FEES

Mr. **Whitten**. Please provide for the record a listing of all proposed user fees that would be implemented during fiscal year 1987, indicating which would require legislation.

Mr. **Dewhurst**. We will be pleased to provide the requested information.

[The following information would require legislation:]

Agency	*1987*
Agricultural Cooperative Service	$3,698,000
Agricultural Marketing Service:	
Marketing Services:	
Market News	15,029,000
Inspection, Grading and Standardization	12,613,000
Market Protection and Promotion	708,000
Section 32: Marketing Agreements and Orders	6,273,000
Total, AMS	34,623,000
Federal Grain Inspection Service: Inspection and Weighing Activities	6,979,000
Food Safety and Inspection Service: Meat and Poultry Inspection	365,841,000
Forest Service: Land and Water Conservation Fund	16,000,000
Packers and Stockyards Administration: Administering the P&S Act	9,093,000
Animal and Plant Health Inspection Service:	
Animal Quarantine Inspection	1,800,000
Import Export	8,446,000
Veterinary Diagnostics	2,000,000
Veterinary Biologics	8,610,000
Total, APHIS	20,856,000
Agricultural Stabilization and Conservation Service Fees	46,300,000
Total, USDA	503,390,000

USER FEES

Mr. **Whitten**. Would you please provide for the record a table showing user fees being received, by agency, for fiscal years 1985 and 1986, with the estimate for fiscal year 1987?

Mr. **Dewhurst**. We will be pleased to provide the information.

[The information follows:]

	1985	1986 Estimated	1987 Estimate
Agricultural Marketing Service:			
Trust Funds:			
Commodity Grading and Certification Payments	$77,782,047	$78,378,000	$78,378,000
Market News			
Marketing Services Reimbursements:			
User Fee:			
Cotton Grading	25,602,690	27,253,000	28,164,000
Tobacco Grading			
Egg Products Inspection Overtime	450,915	450,000	450,000
Perishable Agricultural Commodities Act	3,418,460	3,356,000	3,356,000
Total, AMS	107,254,112	109,437,000	110,348,000
Animal and Plant Health Inspection Service:			
Miscellaneous Contributed Funds	1,420,625	1,418,000	1,418,000
Fees for Care, Feed, and attendants at animal quarantine stations	2,359,506	1,928,000	1,928,000
Commercial bird import quarantine	945,048	992,000	992,000
Pet birds/smuggled birds quarantine	377,648	397,000	397,000
Animal Welfare licensing fees a/	(162,100)	(187,000)	--
Harry S. Truman Animal Import Center	--	500,000	500,000
Reimbursable Overtime	9,978,990	8,361,000	8,361,000
Total, APHIS	15,081,871	13,596,000	13,596,000
Agricultural Stabilization and Conservation Service:			
Salaries and Expenses:			
Warehouse Inspection:			
Federal	3,031,000	3,327,000	3,500,000
Non-Federal	2,566,000	2,650,000	2,640,000
Total, ASCS	5,597,000	5,977,000	6,140,000

a/ Miscellaneous receipts to Treasury. Agency does not retain fee.

	1985	1986 Estimated	1987 Estimate
Foreign Agricultural Service:			
Attache Reports	222,412	223,000	223,000
Trade Lead Services	69,073	115,000	115,000
Computer Time and Files	4,235	5,000	5,000
Total, FAS	295,720	343,000	343,000
Federal Grain Inspection Service:			
Inspection and Weighing Activities	32,343,000	36,856,000	36,829,000
Food Safety and Inspection Service:			
Reimbursements	39,853,000	38,319,000	40,000,000
Trust Funds	786,000	790.000	825,000
Forest Service	34,344,000	37,850,000	41,200,000
National Agricultural Library:			
Sale of photocopies	59,483	60,000	60,000
Statistical Reporting Service:			
Statistics and economic reports	119,086	119,200	119,200
Subtotal,	235,733,272	243,347,200	249,460,200
New User Fees Being Proposed for FY 1987:			
Agricultural Cooperative Service	--	--	$3,698,000
Agricultural Marketing Service:			
Marketing Services:			
Market News	--	--	15,029,000
Inspection, Grading and Standardization	--	--	12,613,000
Market Protection and Promotion	--	--	708,000
Section 32:			
Marketing Agreements and Orders	--	--	6,273,000
Total, AMS	--	--	34,623,000
Federal Grain Inspection Service:			
Inspection and Weighing Activities	--	--	6,979,000
Food Safety and Inspection Service:			
Meat and Poultry Inspection	--	--	365,841,000
Forest Service:			
Land and Water Conservation Fund	--	--	16,000,000
Packers and Stockyards Administration:			
Administering the P&S Act	--	--	9,093,000
Animal and Plant Health Inspection Service:			
Animal Quarantine Inspection	--	--	1,800,000
Import Export	--	--	8,446,000
Veterinary Diagnostics	--	--	2,000,000
Veterinary Biologics	--	--	8,610,000
Total, APHIS	--	--	20,856,000
Agricultural Stabilization and Conservation Service			
Service Fees	--	--	46,300,000
Subtotal	--	--	503,390,000
GRAND TOTAL, USDA	235,733,272	243,347,200	752,850,200

Mr. **Whitten**. Mr. Traxler.

HEALTH CARE FACILITIES

Mr. **Traxler**. Steve, this is a good point for me to ask you to provide for the committee a report to us on recent Farm Home Administration conference in New Orleans just before Mardi Gras. The purpose of the conference which was attended, as I understand, by 70 or 80 people, was to discuss rural health care facilities. I assume that that is funded out of the Rural Development Program, probably community facility money.

Mr. **Dewhurst**. Yes, sir.

Mr. **Traxler**. Which is zeroed out for the 1987 budget. Your current estimate for 1986 is $95.7 million and in 1985, you had $115 million. Maybe you could tell us how many people were there, what the total costs were of the conference in New Orleans a week before Mardi Gras, and you could also advise us as to how many actual dollars from the Community Facility Program went into rural health care facilities in 1985, what is anticipated in 1986 and maybe you could ask Farmers Home to be kind enough to justify a conference on a program that is to be zeroed out.

Mr. **Dewhurst**. I would be glad to get you a complete report on that. I was not aware of it, to tell you the truth.

Mr. **Traxler**. I appreciate that. I am sure you will.

Thank you very much.

[The information follows:]

Health Care Facilities

The funds for this training and travel were paid from the salaries and expenses account. A total of 63 people attended the session which cost approximately $54,000.

In 1985, $54,923,100 was obligated for health care facilities. The anticipated 1986 obligation is $59 million. Historically, approximately 62 percent of community facility funds are obligated for health care. We project the same percentage for 1986.

This training was for the analysis and servicing of Community Program borrowers as it pertains to audits and financial statements. Half of the session was directed specifically to health care in order to keep up to date on medicare reimbursement, industry characteristics and the changing organizational structure of rural health care facilities, which is vital to servicing this loan portfolio.

Through this program is proposed to be terminated, the outstanding portfolio for 2,968 borrowers with loans in the amount of $1.543 billion must be serviced.

RURAL ELECTRIFICATION ADMINISTRATION

Mr. **Whitten**. You may proceed, Mr. Dewhurst.

Mr. **Dewhurst**. Thank you, Mr. Chairman.

The budget for the Rural Electrification Administration loan levels which are the primary interest to the committees are set at $660 million in total for fiscal year 1987. That is compared to $1.8 billion provided by the Congress in 1986 so it is better than 50 percent reduction for REA.

The Administration, as it has in the last couple of years, proposed a phase-out of the REA program over the next five years. The Soil Conservation Service budget is proposed at $457.1 million. That is a reduction of over $180 million from the 1986 level.

Now, the thing to understand about the SCS budget is there is funding in the budget to continue the basic technical assistance activities of the Soil Conservation Service at about $286 million, but funding for the watershed programs and the Great Plains programs and the Resource Conservation and Development Program, those programs would be terminated.

You see the numbers next to those programs in this table. Those are the funds that are required, as the Chairman has noted, to terminate the program. That is when you let the people go you owe them severance pay and so forth and that is what that money would be used for.

CONSERVATION

Mr. WHITTEN. I presume you have read history at least about the dust bowl days and all those things. If you keep cutting conservation like this, how long do you think it will take to go back to the conditions of the dust bowl days, with all the erosion and everything? We have spent 50 years trying to bring conservation up to the present level and now you want to cut that out.

Have you made any studies along that line?

Mr. DEWHURST. I have not. There is no doubt there have been many studies done. There is no doubt there are still serious erosion problems in the country. It is true you see even with the conservation reserve. When they announced that program as I recall they are talking about putting 45 million acres into a conservation reserve.

There are a lot of acres in the country that suffer from severe erosion problems and the 45 million acres is probably a minimum.

LAND USE RESTRICTIONS

Mr. WHITTEN. The constitutional provision is that you can't take property without due payment. When you restrict the use of a man's land, do you think it is constitutional to tell him he can't protect his own land? Or do you think you can get by that by just making what you offer dependent on whether he does or not? Has any such study been made by your department?

Mr. DEWHURST. There are two ways they have traditionally done those sorts of things. One is where you pay rent on the land. We do that in the Water Bank Program and we would do that in the Conservation Reserve Program and I would assume that if a producer wishes to sign a contract and accept that rent——

CONSERVATION RESERVE

Mr. WHITTEN. When is the effective date? Can you have a delay of several years before it becomes effective under the new farm bill passed by Congress?

Mr. DEWHURST. It is being implemented now. They have put out the announcement they will be signing people up this spring for that program.

The other way, of course, they have done it is to require diversion of acreage as a condition.

ASCS STAFFING

Mr. WHITTEN. Do those folks with ASCS you are going to fire have preference for other employment in that area?

Mr. **Dewhurst**. The people who run the farm programs are not being reduced in ASCS. Due to the proposed reduction in the traditional conservation programs, the ASCS staff will be devoted to farm programs and the conservation reserve in the future. There is an overall staff reduction, but it is not a very large reduction.

Mr. **Whitten**. Do you have any protection for these folks who go out and tell a farmer what he can do with his own land?

Mr. **Dewhurst**. I assume they have a hard job to do sometimes.

Mr. **Whitten**. That is beyond your control?

Mr. **Dewhurst**. Yes, sir.

Mr. **Whitten**. Farmers are getting so scarce. How small would the number have to get before they would come under the Endangered Species Act where they would have government protection?

Mr. **Dewhurst**. I don't know. It would be pretty small, I suspect.

FOOD AND NUTRITION SERVICE

The budget for the Food and Nutrition Service, which, of course, is one of our largest budgets, is set at $14.5 billion in the President's budget. That is a reduction of over $500 million below the 1986 level.

The key to the Food Assistance Budget is to understand that there are a number of legislative proposals as has been the case in recent years in these numbers. The first is the proposal in the child nutrition programs to eliminate the Federal subsidy on meals served to children from families above 185 percent of poverty.

That subsidy is essentially a quarter a meal under current law. Taking that subsidy away would save roughly $700 million in Federal costs and that is assumed in these numbers.

The other thing affects food stamps. There are some provisions in the 1985 farm bill expanding food stamp eligibility. The budget proposes to repeal those provisions.

One thing you will note in these numbers is that there are some savings even assumed in fiscal year 1986 to come about because of these things. The reason for that is that the Administration proposes the legislation to be effective on the first of July which is the beginning of the school year.

So the budget assumes that some of the savings in the school lunch program would be put in place and achieved beginning July 1st and so there would even be 1986 savings from those proposals.

INTERNATIONAL PROGRAMS

The budget for the Foreign Agricultural Service, almost $71.9 million, you will note is down about $7.5 million from the 1986 level.

You will see that the key area is in foreign market development where the Administration is proposing to reduce the Federal share of our market development project from 30 percent to 20 percent and by doing that you produce a savings on the order of $10 million in that program.

The budget for the Office of International Cooperation and Development is set at about $3 million. That is down essentially $4.9 million from the 1986 level. There are really two proposals there.

The Administration has consistently proposed not to fund the training program for students from middle income countries and they also propose to terminate funding for the Special Foreign Currency Overseas Research Program.

Those are both proposals that have been made pretty consistently in the last few years.

The Public Law 480 program is funded at just about $1.2 billion. That, too, is a reduction of about $78.9 million from the 1986 level. Under the budget proposal, shipments under Title I of Public Law 480 would be maintained at the 1986 level of 5.3 million metric tons.

Shipments under Title II would be reduced from 2.2 million metric tons to 1.9 million metric tons. However, it is important to remember the tonnage estimate for 1986 reflects 300,000 tons of commodities being shipped to the Sub-Saharan Africa and the budget does not anticipate a renewal of that need in the future so part of that reduction has to do with that 1986 additional funding that Congress provided.

The remainder of the table reflects a whole series of small offices and agencies of the Department of the advisory committees for the funding committees we have to give and so forth. You will see in each of those areas there are small changes, mostly on the area of restoring the Gramm-Rudman cuts for 1986. The payments we made to GSA for the space we rent are in effect dictated by them.

They give us a rental rate so you will see there is an increase of $8.5 million in that item and that is simply to pay the rent that we are told we have to pay. The budget for the Inspector General is up slightly by about $2 million to $46.3 million.

We have essentially restored the Gramm-Rudman reduction in the Inspector General's Office and permitted that office to continue at the 1986 level of operations. So in total, the 1987 budget before this committee in appropriation terms is $41.7 billion, as we said at the outset, but it assumes something over a billion dollars in legislative savings which are yet to be decided by the Congress.

Mr. Chairman, that sort of concludes our run through the table.

OVERVIEW

Mr. **Whitten**. Thank you very much, Mr. Dewhurst.

May I say that, though I have appeared somewhat facetious, I have done that because this 1987 budget is so ridiculous in my opinion at a time when many farmers are facing bankruptcy. It has been a matter of record that this is due in large part to the fact that agriculture has had to finance our foreign policy and sustain losses from foreign embargoes and failure to sell competitively.

To some degree we have held back on exports to keep domestic prices down. But by and large, we have used embargoes to punish Russia and some other countries. Also we have not offered what the farmer has for sale competitive in world markets, we know that if you don't make your offering price competitive, you don't sell.

We have had studies made by the Department on this. We have passed bills through the House calling on the Secretary to tell us how much of the farmers' indebtedness comes from the refusal to use the Commodity Credit Corporation as intended and see that the consumer pays a reasonable price to enable the farm producer to stay in business.

The record shows that since World War II industry and labor—by reason of law—have increased their take of the consumer dollar from 49 percent to 73 percent, while what is left for the farmer has gone from 51 percent down to 27 percent.

To exist, the farmer has had to look to appropriations from the Congress instead of a fair price from the consumer who buys his product. As a result, his financial condition has continued to deteriorate. The records show 120 banks have failed this year and it is reported that they expect another 120 to fail next year.

Now, by a vote of 220 to 200 the House passed a bill for which I provided language to guarantee the producer a fair price from the consumer, to regain his foreign markets through competitive sales and to protect him from foreclosure due to embargoes and failure to sell overseas competitively.

I would like for a copy of that to be put into the record.

[The information follows:]

SEC. 105. In view of the financial crisis facing many farmers, resulting from embargoes and suspension of exports in 1973, 1974, 1975, and 1980, and failure to use the Commodity Credit Corporation for a loan program which led to a fair price from the user, the Secretary of Agriculture shall use his authority under existing law to provide for nonrecourse loans on basic agricultural commodities at such levels as will reflect a fair return to the farm producer above the cost of production, and to issue such regulations as will carry out this provision and as will provide for payment by the purchaser, rather than by appropriation, for basic commodities sold for domestic use and the Secretary of Agriculture shall issue such regulations as will enable producers of any basic agricultural commodity to produce the amount needed for domestic consumption, to maintain the pipeline, and to regain and retain by competitive sales our normal share of the world market.

SEC. 106. Public Law 99-88 funded a study by the Department of Agriculture to determine the losses suffered by United States farm producers of agricultural products during the last decade as a result of embargoes on the sale of United States agricultural products and the failure to offer for sale in world markets commodities surplus to domestic needs at competitive prices, for use in determining what part of existing indebtedness of farmers should be canceled as a result of such foreign policy. Pending the completion of the study, the Secretary shall determine, on a case-by-case basis, which borrowers are unable to continue making payments of principal and interest due to embargoes or the failure to sell competitively in world trade and, thereby, qualify for an adjustment of principal and interest due to prevent bankruptcy or foreclosure, all as authorized by existing law.

Upon presentation of substantial evidence to the Secretary that a borrower qualifies, payment of principal and interest shall be suspended and the Secretary shall forego foreclosure of loans owed to the Federal Government, as authorized by law, for 12 months or until an adjustment is agreed upon. Other creditors shall be requested by the Secretary to postpone payments due on the same basis.

Mr. **Whitten**. I don't care what anybody says. The land is there forever, whether eroded or well taken care of. The present owner is the steward of the land. It is in his care for his lifetime.

He can't take it with him and therefore all of us have an interest in it. I think one of the greatest things we have done in this country has been to establish the soil conservation programs, including the ACP and Soil Conservation Service. Anyone can go back and see the conditions 50 years ago compared to what they are now. It is ridiculous for Congress to have had to restore that important program 31 times. I think it is probably more like 36 times.

Now, there is a difference between wealth and money, and it is clear that our real wealth is our soil and other basic resources. Congress and the Appropriations Committee have saved our conservation programs and still stayed below the President's budget year in and year out. Certain entitlement programs and other things have caused our problems.

What did you say the total cut is for agriculture?

Mr. **Dewhurst**. About $10 billion.

DEFENSE SPENDING

Mr. **Whitten**. About $10 billion, with cuts all across-the-board. Yet, not a dime of it is going toward reduction of the deficit or the debt. I have supported defense longer than anybody in Congress. I support it today,

But last year the budget request from the President proposed to cut domestic expenditures by $28 billion in order to increase defense funds by $38 billion.

Again this year the proposed cuts in domestic programs are to be used to increase the carry-over of military money unspent at the end of the year from $262.4 billion to $299 billion. So these cuts in domestic programs are not going to reduce the deficit. They are going to increase the military carry-over.

Now, I am for defense, but I don't know that they need a year's carry-over in case times get hard. If you study it further, it is just as necessary to have a solid economy and public support behind our defense effort as to increase defense funds.

You are not responsible for this, Mr. Dewhurst, and neither am I. But Congress is going to have to see that we continue to look after our own country. And there are some 125 countries to which we are selling guns and ammunition, yet the folks there need food and clothing instead.

I said in the recent overview hearings, where we developed these facts, that we in this country will have to pull together to get along. At present we are like the three horse chariots you have trouble going in the same direction the Executive, Legislative and Judicial branches.

Goodness knows our experience of the last five years should show us that all three had better change their direction and work together.

I have here, and I ask this go in the record, a table prepared by the staff which shows that these cuts that have been recommended have not gone to reduce the deficit or the debt, but have gone to increase the carry-over of military spending money—from $44 billion in 1975 to $299.7 billion.

[The information follows:]

INCREASED CARRYOVER BALANCES—DEPARTMENT OF DEFENSE

[In billions of dollars; fiscal years]

Unobligated balances	Amount	Unexpended balances	Amount
1975	16.7	1975	44.0
1976 (TQ)	21.0	1976 (TQ)	51.4
1977	20.0	1977	62.6
1978	21.3	1978	73.6
1979	23.0	1979	83.9
1980	24.2	1989	92.2
1981	26.5	1981	112.8
1982	34.6	1982	142.2
1983	43.4	1983	172.1
1984	51.6	1984	205.1
1985	61.5	1985	244.3
1986 (estimate)	59.9	1986 (estimate)	262.4
1987 (estimate)	60.3	1987 (estimate)	299.7

Mr. **Whitten**. You have done a good job Mr. Dewhurst. We realize that these policy matters are beyond your reach. We do appreciate your appearance here. I don't know what we can do, but we better learn that food, clothing and shelter are the basic things of life. You can always judge the standard of living in any country by how much time they have to devote to provide these things.

We are buying $148.5 billion of things from Japan and many other countries that we could provide for ourselves. We are buying $50 billion more from Japan than we are able to sell them and our trade balance with Japan is in the red $50 billion. Just go down the line and if you do you will realize we had better work together and better change our direction.

Thank you very much.

Mr. Traxler?

Mr. **Traxler**. Thank you. I have very little to add to what the Chairman has said, Steve. It is nice to have you back.

How many years have you been with the Department now?

Mr. **Dewhurst**. Twenty this year.

SUGAR PURCHASES

Mr. **Traxler**. Congratulations. We are always very pleased to see you up here. One of the items of good news, I always look for good news these days, since there is very little of it. In your 1987 budget summary on page 14, you make a note of sugar.

Whenever you mention sugar, Mr. Akaka and I stand up and salute, of course. We also note you make reference there to the 1985 Act mandating the program be operated at no cost to the Federal Government.

We are delighted with that. We are pleased it is part of the law. Could you tell us whether or not CCC purchased any sugar in 1985?

Mr. **Dewhurst**. Yes. My expert tells me yes, we did.

Mr. **Traxler**. How much did you buy? How many millions of dollars' worth?

Mr. **Dewhurst**. We spent about $185 million. I am not sure what the quantity was.

Mr. **Traxler**. $185 million of the taxpayers' money. Is there any connection between the former high White House official and the fact that he represented some Caribbean nations and those purchases and the misjudgments and miscalculations that were made at the Department in connection with sugar needs?

Mr. **Dewhurst**. No. To tell you the truth, I am so naive, I don't know who you are talking about.

Mr. **Traxler**. We will just leave you there, Steve. You are a fine civil servant. We don't want you to get caught between the big fellows. Thank you very much. I have no other questions, Mr. Chairman.

Mr. **Whitten**. Mr. Myers?

BUDGET REQUEST

Mr. **Myers**. Thank you, Mr. Chairman.

Looking through the request here, it isn't a very easy task that either of us has, whether it be you making the request here, or us finding the money here.

As I look at it, there is a little over $8 billion request here for cuts and reductions; is that right? $8,379,600,000?

Mr. **Dewhurst**. Yes.

Mr. **Myers**. That is about 19 percent of the $44 billion that we are going to have to cut if we are to live within Gramm-Rudman, I guess by law, at least presently, we are going to have to. As I see it, if we don't make the cuts here, you are going to have to under the Gramm-Rudman, and these would be the cuts that you probably make if we don't make a different selection.

Either way, together you and us, we have to make about that amount of dollars from the budget request from the President. We have to cut it a little over $8 billion; is that right?

Mr. **Dewhurst**. Yes, sir. The thing I would hasten to point out, though, is that if you have a Gramm-Rudman sequester, which is what we have in 1986, you might have the same cut in terms of dollars, but you get a totally different result programmatically, because you apply that across the board, so you cut price supports, and you cut everything an even amount.

Whether that is worse or better when you make a decision about a budget, whether the Congress does it or how it gets done, you usually do some picking and choosing, and don't simply make a straight, across-the-board kind of cut.

The budget for the Department, that $44 billion in outlays that are in the budget, when you stop to think about it, you have got better than $18 billion in the food assistance programs, which are largely entitlements, and most of which are exempted from Gramm-Rudman, and you have $16.5 billion in CCC in price supports.

Those two items alone eat up 70 percent of the total. So, the remaining $10 billion that you have, you have to allocate to what is left, and clearly in this budget, that means a lot of hard decisions.

COMMODITY CREDIT CORPORATION

Mr. **Myers**. Well, the CCC program, whether they be price supports or deficiencies, are eligible for cuts, aren't they, under Gramm-Rudman?

Mr. **Dewhurst**. Yes.

Mr. **Myers**. They aren't immune, are they?

Mr. **Dewhurst**. No, they are an anomaly in the sense they are entitlements that are cut by Gramm-Rudman.

Mr. **Myers**. It appears if my calculation is correct of those accounts that are immune from cuts under Gramm-Rudman, which are about 78 percent of the Federal budget, agriculture programs would be about 19 percent of the remaining 22 percent.

And you have cut about 19 percent.

Mr. **Dewhurst**. Yes, sir.

Mr. **Myers**. You have come right down to the line.

Mr. **Dewhurst**. Yes.

BUDGET PROCESS

Mr. **Myers**. Who made those decisions about what items to be cut? Did the Department make them, or OMB?

Mr. **Dewhurst**. For 1987?

Mr. **Myers**. Yes, sir.

Mr. **Dewhurst**. It is the usual process. We sent a request to OMB in September. They give us answers back in November and December. Their answers are usually different from our requests, as is usually true in any budget scenario.

In the end, you publish a budget in January, and there is just a lot of discussion that goes into it.

Mr. **Myers**. I don't think you answered me, but that is all right.

Mr. **Dewhurst**. I could go down through 250 programs and say this decision was made here, and that decision was made there.

Mr. **Myers**. You did have some input, then?

Mr. **Dewhurst**. Yes, sir. We were told the budget would be very tight and we were made to submit a budget against that target.

PROGRAM ELIMINATIONS

Mr. **Myers**. Your budget request for programs eliminated $406 million. How many of these can be eliminated without legislation? Any of them?

Mr. **Dewhurst**. Most programs can be eliminated without legislation, because if you don't fund it, the program doesn't work, so you can phase out soil conservation or the ACP simply by not funding it, but when you change an entitlement or want to establish a user fee to cover the cost of a program, then you have to have legislation, because there is no unilateral ability to do that.

Mr. **Myers**. Isn't the authorization within the Gramm-Rudman authorization to reduce entitlements also, except those that are held outside of the reductions? It did spell out which ones are immune from reductions. Didn't that give you the authority to make reductions?

Mr. **Dewhurst**. In a sequester, Gramm-Rudman has a list of programs that are exempt from a sequester, and most of those are what I call entitlements. Everything else that is not on the list is subject to the across-the-board cut.

Mr. **Myers**. Without additional legislation, that is Gramm-Rudman.

Mr. **Dewhurst**. Yes, sir, in the sequester.

REDUCTIONS

Mr. **Myers**. For the reduction programs reduced $2.318 billion, the Department makes those reductions if Congress does nothing? Do you have the authority to go ahead and reduce them without additional legislation?

Mr. **Dewhurst**. Not for fiscal year 1987. I am sorry. I am not being very good about this. You understand what the President submits in January is an alternative to the sequester. It presumes Congress will pass appropriations bills or legislation or whatever is necessary.

Mr. **Myers**. Some said that was DOA.

Mr. **Dewhurst**. However they choose to do it, but in the end, if we don't get down to the deficit target under Gramm-Rudman, you get an automatic sequester. Then you get across-the-board cuts regardless of legislation.

Mr. **Myers**. If Congress fails to accept your recommendations and does nothing, then you would be forced to cut every program within the Department on a percentage basis exactly as if you carry out the terms of Gramm-Rudman.

Mr. **Dewhurst**. Yes, sir.

Mr. **Myers**. So, we are in a box here by Gramm-Rudman, which I didn't vote for, but nevertheless, we have to live with. We are faced either with we make the selections or you are going to make them across the board, and cut every program proportionately, because you would be forced by law to do that.

Mr. **Dewhurst**. Yes, sir.

USER FEES

Mr. **Myers**. The user fees now, which you have requested, would reduce budget requests by $534.2 million. Can you impose any more user fees without additional legislation?

Mr. **Dewhurst**. No. We have some authority to charge for things like publications, but all these user fees require the Congress to enact laws.

Mr. **Myers**. This committee does not handle that. It would be the authorizing committee that would have to approve the user fees. I presume then, you would be testifying before them later about what is needed.

Mr. **Dewhurst**. Yes, sir, that is true.

Mr. **Myers**. Now, if the user fees are enacted and there would be a budget request coming back to reduce this request that you are making here today by an amount, whichever user fees you don't know at this point, but I am a little unclear.

In your testimony, you said you would reduce, but yet you say you would have to come back for a supplemental unless user fees are enacted.

Did you try to strike a happy medium someplace in there and guess that is what we come up with? Is that what you are saying?

Mr. DEWHURST. No, sir. Unfortunately, we treat the budget authority for the food assistance programs different from the budget for everything else.

In the food assistance programs, the budget before this committee assumes the enactment of legislation. So, if the legislation doesn't get enacted, the budget before this committee turns out to be short by the requisite number of money.

But in all the other areas the budget before this committee, does not assume enactment of the legislation. The budget before this committee would carry the programs out under current law.

That budget would then be changed if the Congress were to pass the requisite legislation. We just deal differently with the two areas of the Department.

SUPPLEMENTALS

Mr. MYERS. During the debate on CCC deficiencies and the supplemental money request, discussion on the Floor suggested that this committee had always underappropriated, causing you to come back for supplementals. Some members of the House say they are tired of that, and are going to closely examine our appropriations this year.

Are we doing the right thing here? Are you putting us in a box here by saying we are going to have to come back with supplementals and we get blamed for it on the Floor? Are we going to get caught this year with a big supplemental?

Mr. DEWHURST. It is very hard to estimate the financial requirements of the CCC. If anybody goes back and checks our track record he will find that we have not been real close to right as often as we would have liked to be.

COMMODITY CREDIT CORPORATION

Mr. WHITTEN. Would the gentleman yield?

One of the questions concerning the Commodity Credit Corporation, if you read the Act, is that of its expenditures are because it is handy for CCC to carry out just about everything you can think of. Isn't it correct, Mr. Dewhurst, that CCC just carries on whatever the Congress tells it to?

Mr. DEWHURST. That is right.

EXPORTS

Mr. WHITTEN. But CCC hasn't been used for what it was set up to do, and that is to export commodities at competitive prices.

That is what I complain about. That approach worked for years. We passed the necessary legislation through the House, but we couldn't get it out of conference. But instead, it is used for many other things as a convenience. Of course, any Administration is always overly optimistic and Congress is always pessimistic.

It is part of the way the world works.

DEFICIENCY PAYMENTS

Mr. **Myers**. I don't see how anyone could anticipate deficiency payments. Right now, we don't know what deficiency you are going to pay in feed grains, do you? Isn't it still in the calculating period right now? It is impossible to tell.

Mr. **Dewhurst**. You are making an estimate, and you are predicting the economy and the weather.

Mr. **Myers**. You say CCC, it is impossible to anticipate—but Food Stamps. In your request, you have $313 million proposed legislation in Food Stamps. If that proposed legislation is never enacted, does that mean we are going to have a deficiency in Food Stamps of at least $313 million?

Mr. **Dewhurst**. Yes, sir.

Mr. **Myers**. We will get blamed on the Floor by a few that we underappropriated.

Mr. **Dewhurst**. Even without the proposed legislation, Food Stamps are very sensitive to things like the unemployment rate, so you get a change in the unemployment rate, and the cost of the program will change.

There is nothing any of us can do about it. That is just the difficulty of estimating entitlements.

ENTITLEMENTS

Mr. **Myers**. How much of this budget that you are requesting here, $41 billion-plus, is entitlement?

Mr. **Dewhurst**. My answer to you will be I consider the food assistance programs almost in their entirety and the Commodity Credit Corporation price support programs to be entitlements, and they make up about $34 billion of the total.

Mr. **Myers**. That is a major part, an entitlement over which we have absolutely no control over you or us.

Mr. **Dewhurst**. That is right.

Mr. **Myers**. Or even can, except make a guesstimate of what we are going to need for 1987 right today?

Mr. **Dewhurst**. Yes, sir.

Mr. **Myers**. So, then, we get blasted on the Floor for coming back. Two-thirds of it at least are entitlements, then.

Mr. **Dewhurst**. That is my definition, but I think I am correct in that.

RESCISSIONS

Mr. **Myers**, I have used more time here. The rescissions you have requested, $927.4 million, have they come up yet, the rescission request?

Mr. **Dewhurst**. Most of it. The President submitted a rescission package last week, and has almost all the items in it, and you can see them listed there, mostly in the conservation area.

But they are before the Congress.

INTEREST DEFERRALS

Mr. **Myers**. One last observation. I apologize to my colleagues. We did have a policy by the Department and other Federal institutions about collecting interest on loans, particularly farmers, Farmers Home Administration.

Is there still a policy, since there is no new Secretary yet, about collecting interest on farmers who just can't pay the interest, and adding to their mortgages and their loans?

What is the policy of that? Do you know, Steve?

Mr. DEWHURST. I am not sure I follow you. We have authority to defer loans, and we defer the interest with those loans.

Mr. MYERS. Is there a policy today? When you say private institutions, a farmer who goes into a commercial bank or life insurance company, and this year because of poor price and poor crops, he is unable to pay the interest.

Is there a recommendation they go along with this deferring of interest or at least adding it back on to the note?

Mr. DEWHURST. I think I can get in over my head real quick here. When we have guaranteed a loan, which we have in the private sector, we are going to work with that bank and that borrower, we may make recommendations, but I don't know if we have much of a role to play where the man's debt is entirely private, and we haven't cosigned the note.

Mr. MYERS. Thank you.

ECONOMIC ASSUMPTIONS

Thank you, Mr. Chairman.

Mr. WHITTEN. The gentleman from New York.

Mr. MCHUGH. Thank you, Mr. Chairman.

Mr. Dewhurst, A moment ago you mentioned economic assumptions are important in terms of entitlements like the Food Stamps Program.

What economic assumptions did you use for the unemployment rate in constructing the number?

Mr. DEWHURST. As I recall, the unemployment rate, estimated in the President's budget for 1987, is 6.5 percent. It is down about two-tenths of a percent. It goes from 6.8 to 6.5.

Mr. MCHUGH. 6.5 percent?

Mr. DEWHURST. Yes, 6.8 percent this year on the average, to 6.5 percent in 1987, and it presumes therefore a reduction of something on the order of 250,000 in Food Stamp participation due to that decline in unemployment.

Mr. MCHUGH. I know you don't establish the economic assumption. This is done for the entire budget elsewhere. Nevertheless, do you recall how close the economic assumptions have been with respect to the funding needs of these programs in the past?

Are we looking at a pattern of optimism in the past with respect to the unemployment rate, for example?

Mr. DEWHURST. We used to be pretty far off, but it seems to me, Mr. McHugh, in the last couple of years we have been pretty close. The Food Stamp funding for fiscal year 1985; we hit it just about precisely on the dollar.

RESCISSIONS

Mr. MCHUGH. Others have said, including the chairman, you are not responsible for policy. So we can't pick on you much for that.

We do sometimes anyway, but we really shouldn't. I want to be sure I understand your table.

With respect to rescissions, in particular the 1986 appropriations adjusted column, the table does not include the rescission requests that you anticipate; is that correct?

Mr. DEWHURST. No, sir. It does not presume Congress will approve things it has not yet acted on.

Mr. McHUGH. So, the rescissions, for example, with regard to the Farmers Home Administration, are not taken into account in that column.

Mr. DEWHURST. No, sir.

FMHA AND HUD

Mr. McHUGH. I have from time to time seen reference to the Farmers Home Rural Housing Programs being transferred to HUD. There is, in your table correctly, a zeroing out of these programs.

Is it part of the Administration's rationale that these programs will somehow continue in HUD, or is there a frank recognition that these programs will die absolutely and forever if we go along with this budget request?

Mr. DEWHURST. Well, I consider the reference to transferring the programs to HUD to be a misnomer. The Administration's position is that rural areas should get the same service from HUD that urban areas do through HUD programs.

There is, to my knowledge, no proposal that HUD run a program similar to the Farmers Home program in rural areas.

Mr. McHUGH. I appreciate your frankness, because some other statements I have seen have not been so frank. They tend to leave the impression somehow these Farmers Home Rural Housing Programs will continue under a different agency's umbrella.

When you go and look at the HUD appropriations request, there is no additional money, indeed, there is less money for HUD to conduct the programs it now conducts, to say nothing of adding these to it.

So, I appreciate the candor. Is there something else you wanted to add to that?

Mr. DEWHURST. No. Bob was pointing out to me the Administration has a voucher proposal which would operate in both rural and urban areas, but of course, it is not the Farmers Home program.

Mr. McHUGH. Thank you very much.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Natcher?

DEPARTMENT'S REQUEST

Mr. NATCHER. Mr. Dewhurst, we are glad to have you back before the committee again. Now, as I understand for extension service, the amount requested is $187,965,000. No, it is a reduction of $187,965,000, down from the adjusted figure of $327,965,000.

What did the Department request for extension, Mr. Dewhurst? That is from OMB, now.

Mr. DEWHURST. The Department requested $283.7 million, Mr. Natcher.

Mr. **Natcher**. $283.7 million?

Mr. **Dewhurst**. Yes, sir.

Mr. **Natcher**. Now, for Soil Conservation, as I understand from your figures, the total requested in the 1987 budget is $457,126,000, down from $637,180,000 for 1986 adjusted. What did the Department request for Soil Conservation?

Mr. **Dewhurst**. $560.5 million, Mr. Natcher.

Mr. **Natcher**. Now, for marketing service, Mr. Dewhurst, as you know, the amount adjusted for 1986 was $31,418,000. The amount requested in the 1987 budget is $31,053,000, a reduction of about $577,000.

What did the Department request, Mr. Dewhurst?

Mr. **Dewhurst**. We requested $31,053,000, the same as the budget.

Mr. **Natcher**. That was the amount you requested?

Mr. **Dewhurst**. Yes, sir.

Mr. **Natcher**. Mr. Chairman, it has been my honor and distinction and pleasure of serving on this subcommittee now for about 32 years, and I want to commend you as the chairman of this subcommittee and the chairman of the full Committee on Appropriations, for the work that you have done all down through the years.

It has been a distinct honor and a privilege for me to serve with you. As you and I and all of the other members of this subcommittee know, if we under your leadership would take this bill to the Floor of the House, with the figures that we have, Mr. Dewhurst, we couldn't pass the bill.

The House wouldn't accept it. Mr. Chairman, thank you very much.

Mr. **Whitten**. I appreciate your statement.

May I say, I am very proud of this subcommittee. Throughout the years, we have had very, very few differences in viewpoint. And we have accomplished much through agreement between members of the subcommittee.

I appreciate Mr. Natchers statement. He and I, as well as all our colleagues here, have stayed with this subcommittee because we do consider agriculture basic. If we don't take care of agriculture, the rest of our economy will never be taken care of.

It bothers me to see that so few people understand that food, clothing and shelter are just as basic as they ever were. I had a chance to tell the President that, while folks seem to understand that if labor is unemployed we are likely to have a depression, and that if industry doesn't make money, we are likely to have a depression. Yet the same folks don't understand that we can't let agriculture go down without having the same adverse effect on labor and industry.

Mr. Skeen?

USER FEES

Mr. **Skeen**. Thank you, Mr. Chairman.

Mr. Dewhurst, it is nice to see you again and get this thing kicked off. We are going to have a long session, it looks like, for the next several months. I am a little concerned about this transition to user fees.

I don't know how much discussion you had when you put this budget together. Let's just take one element of the entire budget as an example and run me through this, if you would please.

The Food Safety Inspection Service, for instance. It is an area that I have a vital concern about. I know that this year's budget has got an increase which contemplates a change, but is it a full funding total for this year?

Mr. DEWHURST. Yes, sir.

Mr. SKEEN. But doesn't it assume some $16 million somewhere along the line is going to be required from user fees, after you get the authorizing legislation enacted?

Mr. DEWHURST. No, sir. Let me try to explain.

Mr. SKEEN. Okay.

Mr. DEWHURST. The budget that is before this committee is a budget to carry out the responsibilities of FSIS under current law. That current law is for an appropriation of roughly $365 million.

If you look at the very back of this table, under legislation proposed for later transmittal, you will see that there is an entry there—there are two tables there, Mr. Skeen.

Mr. SKEEN. The first one?

Mr. DEWHURST. It is page 9. You will see there an entry for the Food Safety Inspection Service, and it says minus $365,841,000. Now, what that says is that if the Congress were to approve legislation as the Administration has proposed, to charge user fees for the full cost of that program, the budget would be amended before this committee and the appropriations request would be withdrawn.

Mr. SKEEN. So, you are assuming then user fees will take over the entire cost of the FSIS program?

Mr. DEWHURST. Yes, sir.

Mr. SKEEN. What bothers me about this is the provisions for the transition of personnel, about the laws and so forth, and you are assuming I guess that the authorizing committee then would have to pass the user fee provisions and then allow for the transition as well.

Mr. DEWHURST. Yes, sir. The timing would be such it could be implemented on the first day of October this year.

Mr. SKEEN. So, the idea would be then, or the rationale is there would be no break in service, no furloughing or anything of that kind. You would go in transition from one to the other.

I have a real tough time visualizing how you implement this sort of thing.

Mr. DEWHURST. Well, you are right. That is the assumption in the Administration's proposal.

Mr. SKEEN. Maybe that is not your concern. It is up to us to get a transition.

Mr. DEWHURST. Yes, that is true.

Mr. SKEEN. That is one of my major concerns. I don't know how much discussion has gone into this, it is very difficult to visualize this unless it all falls into place almost perfectly.

In my opinion, it would be very difficult to implement this.

Mr. DEWHURST. Last year, as you may recall, the Administration proposed to phase in a user fee for the meat and poultry program over several years.

Mr. SKEEN. I know.

Mr. **Dewhurst**. This year is different. They are asking for the whole thing.

Mr. **Skeen**. They are going to go ahead and fund the whole thing. That is what I wanted to get.

Mr. **Myers**. Will you yield?

Mr. **Skeen**. Yes.

USER FEES AND RESCISSIONS

Mr. **Myers**. If we don't adopt user fees and rescissions, we are going to have to cut programs even more to keep under Gramm-Rudman, am I correct on that? We are faced with a choice, either adopting user fees and the rescissions or cutting programs even more.

Mr. **Dewhurst**. The President's budget takes credit for those statements, so if they don't come about there, they have to——

Mr. **Skeen**. If we don't get this train on schedule and get it all worked out perfectly, which we do very well in this body, we have got a lot of problems. Thank you very much, Steve. I appreciate that.

Thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Akaka?

GRAMM-RUDMAN

Mr. **Akaka**. Thank you, Mr. Chairman.

It is good to have you here, Mr. Dewhurst. Since I have come here, I consider you to have the most comprehensive knowledge of the Department, and we are happy to see you here despite the fact that the Senate had not approved the new Secretary.

It is obvious that what you are presenting to us today will have a sobering effect on both the Department and the Congress as we look towards this year's budget.

I would like to ask some questions under the category of Gramm-Rudman. That deficit control law allowed the House and Senate Appropriations Committees to define program project and activity, and it also provides that the President shall issue sequestration orders in accordance with the committees' definition.

First, how has this definition been handled by the Department of Agriculture, and second, have you experienced any difficulty in applying this definition to the Department's budget?

Mr. **Dewhurst**. As you know, the conference report on our appropriations bill last year spelled out that we were to apply the cuts on a pro rata basis, down to the lowest level of detail in our explanatory notes, and to individual watershed projects and field locations.

We have provided to the Speaker of the House, the President of the Senate, the GAO and the Director of OMB the required report. It shows that we have, in fact, spread the cuts on a pro rata basis to each and every line item of activity in our budget.

We will be providing this committee with further information shortly, even down to a lower level of detail. I don't know that I am in really a good position right yet to answer your question on problems.

Any time you say I am going to pro rate something right down to individual field locations, you are obviously in a situation where you may have problems at some field locations, and not at others.

No large number of very difficult problems have been brought to my attention, but there is no hiding the fact that we have one big programmatic problem, and that is in the meat and poultry inspection program, where the law is very specific as to how we carry that function out, and the Gramm-Rudman cuts seem to set the level in that program where it is just about impossible to do that job.

So, that is the biggest problem we have right now.

Mr. AKAKA. In connection with this, would the Department have the flexibility to reduce any item more than the standard Gramm-Rudman percentage?

Mr. DEWHURST. No, not so far as I am concerned, given the definition in the conference report. Now, some agencies, I hasten to add, have looked at their objects of expenditure, that is their money for training and travel, and they have cut more or less from those areas to try to manage the cut.

My judgment is we are not allowed to cut a program by more than 4.3 percent.

COMPETITIVE GRANTS

Mr. AKAKA. Also, how will the sequestration orders affect competitive grant programs within the Department?

Mr. DEWHURST. Well, there is simply less money to give out. That is, we will approve fewer grants.

Mr. AKAKA. Do you have any idea how you will do it? Will you just reduce grants by a percentage?

Mr. DEWHURST. No. That is essentially a discretionary program. We will approve the grants we approve at their total level of funding.

There will just be less money, so fewer grants will be approved. We will not cut a little bit of money off of every grant.

FMHA AND HUD

Mr. AKAKA. Under the housing initiative, the President's budget proposes a major change for housing programs, and it proposes to transfer Farmers Home housing programs to HUD, and convert them to housing voucher programs, as was mentioned earlier.

If the President's proposal is not adopted, and Congress continues direct funding of Farmers Home housing programs as currently authorized, what effect would this have upon the budget for USDA?

Mr. DEWHURST. Well, under the Gramm-Rudman rules, direct loans are Federal outlays and so, to the extent that the Congress puts money in for direct loans, they are increasing our outlays above the levels in the President's budget.

Whatever level you choose, that would be an outlay increase so far as OMB is concerned.

CONSERVATION

Mr. **Akaka**. Under conservation programs, Mr. Dewhurst, the 1987 budget request contains a major new initiative for conservation programs. The President proposes to terminate conservation cost-sharing and watershed financial assistance.

If the President's—again, if the President's proposal is not adopted, and Congress continues funding USDA conservation programs as currently authorized, what would be the effect upon the budget for USDA?

Mr. **Dewhurst**. Well, you would be adding about $180 million in the Soil Conservation Service, and on the order of $200 million in the ASCS to put those programs back, so it would be that much of an outlay increase.

EXTENSION

Mr. **Akaka**. Finally, in the Cooperative Extension Service, the 1987 budget proposes a major change in cooperative extension. His budget would limit the distribution of funds by the Extension Service to the amount used for farm services.

If the President's proposal is not adopted and Congress continues funding the Cooperative Extension programs as currently authorized, what affect would that have upon the budget for USDA?

Mr. **Dewhurst**. Well, you would, to put the programs back, you would add about $190 million to USDA outlays.

FY 1987 MAJOR POLICY INITIATIVES FOR USDA

Mr. **Akaka**. As outlined in the budget document Major Policy Initiatives, the President's FY 1987 budget proposed a number of major changes affecting the following programs: Child Nutrition Subsidies, Conservation Financial Assistance Programs, Cooperative Extension Service Grants, Crop Insurance, Food Stamp Administration, Housing Vouchers-FmHA housing programs, Meat and Poultry Inspection, and Special Supplemental Food Program for Women, Infants, and Children.

Mr. Dewhurst, if any or all of the President's proposals in these areas are not adopted and Congress continues these programs as currently authorized, what effect would this have upon the budget for USDA for each of the programs listed?

Mr. **Dewhurst**. I will be glad to provide that information.

[The information follows:]

Child Nutrition Subsidies—The budget request would have to be increased by $775.3 million to $4.23 billion.

Conservation Financial Assistance Programs—The Impact upon the ASCS programs would result in an increase of $201 million. The SCS would experience an increase of $149 million in 1987.

Cooperative Extension Service Grants—A $188 million increase would be experienced in Extension Service.

Crop insurance—Budget Authority for FCIC would be increased by $135 million.

Food Stamp Administration—An additional $313 million would be required if the proposals were not adopted.

Housing Vouchers (FmHA Housing Programs)—In reference to the housing vouchers, this is a program of the Department of Housing and Urban Development. It is the Administration's proposal that HUD assume serving the rural areas of the United States with their housing authorities. As such, a certain percentage of their funds will be earmarked to be used in rural areas. The Farmers Home Administration would cease making any new housing loans or grants. However, funding the current array of FmHA housing loan and grant programs at a FY 1986 Current Service level, before a Gramm-Rudman, would have the following impact:

COMPARISON BETWEEN PRESIDENT'S FY 1987 BUDGET PROPOSAL
FOR FmHA HOUSING PROGRAMS AND CURRENT
SERVICES FUNDING LEVEL IN FY 1987
(Dollars in Thousands)

	President's 1987 Budget Estimates		President's 1987 Current Services Estimates		Changes	
	Budget Authority	Outlays	Budget Authority	Outlays	Budget Authority	Outlays
Rural Housing Insurance Fund						
On Budget.	$2,866,434	$2,075,926	$2,894,510	$2,058,635	$ + 28,076	$ -17,291
Off Budget.....................	--	-150,000	1,230,000	1,080,000	+1,230,000	+1,230,000
Subtotal, RHIF............	$2,866,434	$1,925,926	$4,124,510	$3,138,635	$+1,258,076	$+1,212,709
Rental Assistance Payments........	--	17,742	--	17,742	--	--
Rural Housing for Domestic Farm Labor........................	--	11,937	11,653	12,403	+11,653	+466
Mutual and Self Help Housing......	--	7,717	10,947	8,593	+10,947	+876
Very Low Income Housing Repair Grants.................	--	621	12,934	12,908	+12,934	+12,287
Rural Housing Preservation Grants.	--	8,000	20,820	9,041	+20,820	+1,041
Compensation for Construction Defects........	--	--	776	776	+776	+776
Self-Help Land Development Fund...	--	295	--	295	--	--
TOTAL FmHA HOUSING PROGRAMS.....	$2,866,434	$1,972,238	$4,181,640	$3,200,393	$+1,315,206	$+1,228,155

Meat and Poultry Inspection—If the proposals are not adopted, $365.8 million in outlays would be added to the President's budget.

Special Supplemental Food Program for Women, Infants, and Children—The policy initiative for WIC will be accomplished within available funds. The FY 1987 request will be sufficient to fund the FY 1986 yearend caseload.

Mr. AKAKA. Mr. Dewhurst, when will the specific legislative proposals for each of these initiatives be forwarded to Congress for introduction?

Mr. DEWHURST. Where applicable, the legislative proposals are currently in the final stages of review and should be forwarded to Congress in the near future.

RESEARCH PROGRAMS

Mr. AKAKA. The Conference Report on H.R. 3037, the Agriculture, Rural Development, and Related Agencies Appropriations Bill, 1986, as implemented by the Continuing Resolution, includes $340,000 for tri-fly research in Hawaii. What amounts are contained in the budget request for FY 1987 to continue this activity?

Mr. DEWHURST. The ARS FY 1987 budget request includes $338,000 for tri-fly research in Hawaii. This funding level is equal to the FY 1986 funding level provided by the Continuing Resolution, P.L. 99-190, which reduced each appropriation item in H.R. 3037 by six-tenths of one percent.

Mr. AKAKA. The Conference Report on H.R. 3037, the Agriculture, Rural Development, and Related Agencies Appropriations Bill, 1986, as implemented by the Continuing Resolution, includes $700,000 for feeds research in Hawaii. What amounts are contained in the budget request for FY 1987 to continue this activity?

Mr. DEWHURST. The ARS FY 1987 budget request includes $695,800 for feeds research in Hawaii. This funding level is equal to the FY 1986 funding level provided by the Continuing Resolution, P.L. 99-190, which reduced each appropriation item in H.R. 3037 by six-tenths of one percent.

DOMESTIC FEEDING PROGRAMS

Mr. AKAKA. Assuming that the President's proposals for changes in the domestic feeding programs are either not enacted or become effective after the end of the current fiscal year, which domestic feeding programs will experience budget shortfalls in FY 1986?

Mr. DEWHURST. If Congress does not adopt the President's proposals for changes in the domestic feeding programs during FY 1986, we expect to experience a budget shortfall with the Child Nutrition Programs.

Mr. AKAKA. Of these programs, when will funds appropriated for FY 1986 be exhausted and what additional amounts will be required to satisfy program requirements through September 30, 1986?

Mr. DEWHURST. The funds appropriated to the Child Nutrition Programs for FY 1986 will be exhausted during September of 1986. An additional $66.6 million will be needed to fully fund these programs in FY 1986.

Mr. AKAKA. Thank you very much, Mr. Chairman. Thank you, Mr. Dewhurst.

Mr. **WHITTEN**. Mr. Durbin?

RURAL ELECTRIFICATION ADMINISTRATION

Mr. **DURBIN**. Thank you, Mr. Chairman.

Mr. Dewhurst, thanks for bringing the good news today. I would like to ask you a question or two on the budget, particularly on the REA aspect of it.

Can you tell me what changes are envisioned in REA programs due to the reductions included in the President's budget?

Mr. **DEWHURST**. Well, there is kind of a two-fold thing happening, Mr. Durbin. The first is that the Administration is proposing to phase out REA lending over five years.

Mr. **DURBIN**. New lending?

Mr. **DEWHURST**. Yes, all new lending. So, you would see a reduced loan level each year over five years, until in the fifth year, there were no new lending to be made.

Mr. **DURBIN**. Can I interrupt you a second? As I understand it, under existing authority, the REA Administrator can restructure existing loans. Assuming those are loans that have been on the books for a few years, they would increase the outlays or diminish the revenues received from cooperatives that have borrowed throughout REA.

Is it your impression that this authority also would be eliminated?

Mr. **DEWHURST**. In truth, I don't know the answer to that question, Mr. Durbin. I suspect it would be because you see there is another set of proposals that says over the five-year period, the Administration is seeking legislation to make changes in the commitments that are made during that five-year period to increased interest rates, to charge a fee on those loans, and so forth.

And with that kind of history, it would seem to me that any transaction that involved a new commitment or recommitment of Federal funding, it would become subject to those kinds of conditions.

LOAN RESTRUCTURING

Mr. **DURBIN**. For the benefit of the committee, I would like to advise you that in a recent meeting with the REA Administrator, he identified over a dozen REA projects nationwide primarily nuclear powerplants, that have gone sour.

I have one in my area that was supposed to cost $400 million which is going to cost $4 billion. The electric co-ops are facing increases of over 200 percent in their electric rates over the next several years.

They have gone to the REA and asked for some restructuring of loans. Otherwise, you can just imagine what that is going to do in the area.

So, on top of what has been suggested here, I think we have to consider some of the realities that some of us are facing at home. Can I ask one other question?

OFFICE OF THE SECRETARY

Having just sat down with my administrative assistant and gone through my own Congressional budget under Gramm-Rudman, how did the Office of the Secretary get off so easily and get this increase of $79 million?

Do you know what justified that?

Mr. **Dewhurst**. Well, $79 million—that is $79,000.

Mr. **Durbin**. $79,000.

Mr. **Dewhurst**. I am sorry. I was thinking in Federal terms there, and got carried away. It is true. What the 1987 budget does to most of the small organizations in the Department is to put back all or part of the Gramm-Rudman reduction that is being made this year.

You are dealing primarily with small amounts of money in very small organizations, and it simply wasn't thought fruitful to hold those organizations down to that level. Some of them were just unmanageable when you cut one person.

USER FEES

Mr. **Durbin**. In the meat-packing plants, where we have Federal inspectors, is it my understanding that the President's budget, anticipates legislation which would have the meat-packing plants pay for the services provided by those Federal inspectors?

Mr. **Dewhurst**. Yes, sir. The President has proposed user fees for that entire program.

Mr. **Durbin**. Thank you very much.

That is all I have.

Mr. **Whitten**. Mr. Smith?

MEAT AND POULTRY INSPECTION

Mr. **Smith**. Are our meat and poultry inspection being handled the same right now under Gramm-Rudman?

Mr. **Dewhurst**. You mean meat and poultry? Yes, sir.

Mr. **Smith**. What is the situation?

Mr. **Dewhurst**. Well, the program has been subjected to this 4.3 percent cut, and that cut has been pro rated throughout the meat and poultry system. To accommodate that cut, it is my understanding that they have frozen employment, they have in fact not been fully able—we have had some proposals from people who want to expand their plants, and we have not been able in all cases to provide enough inspectors to do that.

And in fact, there is some anticipation of a furlough in the Food Safety Inspection Service for at least several days for all of their employees before the year is out.

So, there is a very difficult situation in that area for the next six or seven months.

Mr. **Smith**. Well, if there are no inspectors, the slaughter line stops.

Mr. **Dewhurst**. Yes, sir, that is right.

Mr. **Smith**. So, then, there is unemployment in the packing industry. Are you talking about furloughing inspectors?

Mr. DEWHURST. Yes. They are talking about furloughing everyone in the agency, essentially, for nine days.

FURLOUGHS

Mr. SMITH. So, all the slaughterhouses would stop for nine days.

Mr. DEWHURST. Well, I don't know if they would furlough them all at exactly the same time. They would rotate them out, but essentially everyone in the agency would be subject to a furlough.

Mr. SMITH. So those hogs and cattle are fed nine more days so you have more meat when they come back to work to slaughter.

Mr. DEWHURST. That is essentially true. They are looking at some other ways to try to keep the program going. It is very difficult because of Gramm-Rudman legislation to find ways to avoid those sorts of consequences.

Mr. SMITH. Well, there was one proposal I heard was to cut an hour off of each work day for awhile.

Mr. DEWHURST. Yes. That is being considered. The problem is, as you know, Gramm-Rudman cuts spending authority even when that spending authority is justified or is generated by user fees. So in our user fee programs they are being cut back the same as other programs. So if you go to a seven hour work day in meat and poultry inspection and thereby charge a fee for that eight hour, you still have to find something else to cut in order to be able to spend that fee under the Gramm-Rudman legislation.

I am not sure they have worked that out yet.

Mr. SMITH. Has the Administration got any proposals for relief in this area?

Mr. DEWHURST. I have not seen any, Mr. Smith, in terms of legislation to the Congress.

USER FEES

Mr. SMITH. When the meat inspection law, the Wholesome Meat Act was passed, it was passed first in 1967. The Poultry Inspection Act passed after that. There was a big debate about user fees and having an umpire who was not beholding to anyone and the meat inspector represents the consumer, he does not represent anybody else.

We had a very thorough debate on that and the Congress overwhelmingly put down the idea of user fees which also is extremely inefficient, as a matter of fact, charging a fee and collecting it and putting it in the general fund, I suppose.

They would probably go to the general fund and not revolving fund, would it?

Mr. DEWHURST. This year's proposal, I believe, brings the money back into FSIS as kind of a revolving fund operation.

Mr. SMITH. So you would have another revolving fund in the Government which traditionally neither the Executive or the Congress has liked.

Mr. DEWHURST. Yes, sir. I know.

GRAMM-RUDMAN

Mr. **Smith.** I see a lot of problems in that. Well, anyway, at the present time the decision as to what to do to comply with Gramm-Rudman is on hold; is that right?

Mr. **Dewhurst.** The decision is in a sense there is a whole series of options being reviewed with OMB and the Department to see what can be done under Gramm-Rudman that might alleviate the situation. I just don't know where all that is going to come out.

Mr. **Smith.** When do you think the decision will be made? How much time do they have to make a decision?

Mr. **Dewhurst.** They really don't have very much. To do something they had better do it in a series of days, a couple weeks, something on that order. If you go beyond that, it becomes almost inevitable.

Mr. **Smith.** You say within a matter of days?

Mr. **Dewhurst.** I would hope so.

CARGO PREFERENCE

Mr. **Smith.** The new farm bill that passed provides that cargo preference subsidies will be increased in certain cases on the movement of grain on ships and that the Treasury Department will allow a draw on general funds to pay these subsidies.

Then Agriculture submits or pays it back through a supplemental. Have you gotten into this yet?

Mr. **Dewhurst.** No, sir. I am afraid I am a bit confused. Are you talking about cargo preference?

Mr. **Smith.** Yes.

Mr. **Dewhurst.** It was my understanding that those costs were to be met by transfer from the Department of Transportation for the increased subsidy cost we would incur as a result of the farm bill. It is also my understanding I thought that the Administration in the Department of Transportation budget had proposed to repeal that new arrangement.

Mr. **Smith.** They have proposed to repeal it or they are going to. They haven't sent it up yet, but my understanding is that in the end it is the Agriculture Department that has to provide the money out of the new budget, that there is a loan or a transfer and you come up with the money in the end to replace it.

Mr. **Dewhurst.** No. It may well be correct, but I am not aware of it.

Mr. **Smith.** We just had a hearing with the Maritime Administration.

Mr. **Dewhurst.** I will take a look at that. I was not aware of that.

Mr. **Smith.** I just wonder where that money is going to come from and how that will impact this.

Mr. **Dewhurst.** Obviously it is not here.

Mr. **Smith.** Okay.

Thank you, Mr. Chairman.

Mr. **Whitten.** Are there any further questions?

Thank you very much, Mr. Dewhurst. We appreciate your coming here today. These questions we asked you that you didn't answer, if you want to send answers later it will be all right.

Mr. **Dewhurst**. Thank you, Mr. Chairman. We appreciate your courtesy.

Mr. **Whitten**. Thank you very much.

TABLES

At this point in the record please insert the various tables and charts which have been included in the hearings in the past.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Information for Subcommittee on Appropriations for
Agriculture, Rural Development, and Related Agencies

Statement of Increases and Decreases in Appropriations,
Fiscal Year 1987 Budget Estimates Compared with Fiscal Year 1986 Estimates
(Dollars in Thousands)

	Summary of Totals		
	1986 Estimate	1987 Budget	Increase or Decrease
Current Law Estimates..............................	37,224,759	42,807,603	5,582,844
Savings Assumed from Proposed Legislation........	-66,619	-1,088,617	-1,021,998
President's Budget..............................	37,158,140	41,718,986	4,560,846

Agency or Item	1986 Appropriations Adjusted	1987 Budget	Increase or Decrease
AGRICULTURAL RESEARCH SERVICE:			
Research on soil & water conservation.	59,409	62,078	2,669
Research on plant productivity.........	184,753	196,546	11,793
Research on animal productivity.......	87,776	91,720	3,944
Research on commodity conversion and delivery.........................	89,027	103,027	14,000
Human nutrition research..............	37,762	39,459	1,697
Integration of agricultutal systems...	7,850	8,203	353
Repair and maintenance of facilities..	10,552	11,026	474
Contingencies.........................	951	994	43
Subtotal, Agricultural Research Service............................	478,080	513,053	34,973
Buildings and Facilities............	6,041	0	-6,041
TOTAL, Agricultural Research Service..........................	484,121	513,053	28,932
COOPERATIVE STATE RESEARCH SERVICE:			
Payments under the Hatch Act..........	148,792	155,545	6,753
Cooperative forestry research.........	12,412	12,975	563
Payments to 1890 Colleges and Tuskegee Institute..................	22,320	23,333	1,013
Special research grants...............	29,007	0	-29,007
Competitive research grants...........	42,312	42,425	113
Animal health and disease research Section 1433.........................	5,476	0	-5,476
Federal administration (direct appropriation).......................	1,543	150	-1,393
1890 Research Facilities..............	9,508	9,940	432
Higher Education......................	4,754	1,988	-2,766
TOTAL, Cooperative State Research Service............................	276,124	246,356	-29,768

Agency or Item	1986 Appropriations: Adjusted	1987 Budget	Increase or Decrease
EXTENSION SERVICE:			
Smith-Lever:			
For Sections 3b&c....................	229,713	127,547	-102,166
Section 3d:			
Pest management....................	7,164	0	-7,164
Farm safety........................	970	0	-970
Urban gardening....................	3,329	0	-3,329
Food and nutrition education......	57,635	0	-57,635
Pesticide impact assessment.......	1,633	0	-1,633
Financial Management	1,427	0	-1,427
IRM	47	0	-47
Rural Development	689	0	-689
1890 Colleges and Tuskegee Institute..	16,877	7,204	-9,673
Renewable Resources Extension Act.....	2,378	0	-2,378
Financial Management Assistance			
D.C. extension.........................	935	399	-536
Fed'l administration and coordination.	5,168	4,850	-318
TOTAL, Extension Service............	327,965	140,000	-187,965
NATIONAL AGRICULTURAL LIBRARY:			
Library operations.....................	10,778	11,421	643
FEDERAL GRAIN INSPECTION SERVICE:			
Standardization and compliance activities..........................	6,697	6,979	282
ANIMAL AND PLANT HEALTH INSPECTION SERVICE:			
Agricultural quarantine inspection....	52,209	54,367	2,158
Grasshopper/Mormon cricket............	17,122	956	-16,166
Other plant disease and control.......	41,500	28,196	-13,304
Brucellosis eradication...............	66,733	63,000	-3,733
Screwworm.............................	31,589	28,396	-3,193
Animal health compliance..............	13,307	13,858	551
Other animal disease and control......	56,345	51,401	-4,944
Animal Damage Control.................	19,025	10,000	-9,025
Contingencies.........................	2,854	2,982	128
Subtotal, Animal and Plant Health Inspection Service.................	300,684	253,156	-47,528
Buildings and Facilities..............	4,054	2,347	-1,707
TOTAL, Animal and Plant Health Inspection Service.................	304,738	255,503	-49,235
FOOD SAFETY AND INSPECTION SERVICE:			
Slaughter inspection..................	199,971	210,609	10,638
Processing inspection.................	85,270	89,832	4,562
Import-export inspection..............	7,398	7,755	357
Laboratory services...................	20,201	21,220	1,019
Grants-to-States......................	33,357	36,425	3,068
TOTAL, Food Safety and Inspection Service............................	346,197	365,841	19,644

Agency or Item	1986 Appropriations Adjusted	1987 Budget	Increase or Decrease
AGRICULTURAL MARKETING SERVICE:			
Marketing Services:			
Market News.........................	14,154	15,029	875
Inspection, grading and standardization..................	12,887	13,699	812
Market protection and promotion.......	1,933	1,314	-619
Wholesale market development..........	1,502	1,011	-491
Subtotal, Marketing Services........	30,476	31,053	577
Payments to States and Possessions....	942	0	-942
TOTAL, Agricultural Marketing Service..........................	31,418	31,053	-365
OFFICE OF TRANSPORTATION:			
Salaries and Expenses.................	2,340	1,233	-1,107
PACKERS AND STOCKYARDS ADMINISTRATION:			
Administration of Packers and Stockyards Act......................	8,740	9,093	353
AGRICULTURAL COOPERATIVE SERVICE:			
Research and technical assistance to agricultural cooperatives	4,469	3,698	-771
ECONOMIC RESEARCH SERVICE:			
Economic Analysis and Research........	43,982	45,475	1,493
STATISTICAL REPORTING SERVICE:			
Crop and Livestcock Estimates.........	50,129	53,351	3,222
Statistical research and service......	6,008	6,361	353
TOTAL, Statistical Reporting Service	56,137	59,712	3,575
WORLD AGRICULTURAL OUTLOOK BOARD:			
World Agricultural Outlook Board	1,591	1,680	89
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:			
Salaries and Expenses:			
Total, Salaries and Expenses......	383,639	417,396	33,757
Transfer from CCC.................	-383,586	-417,396	-33,810
Direct Appropriation	53	0	-53
Dairy Indemnity Program:			
Indemn. pymts. to dairy farmers...	95	0	-95
Agricultural Conservation Program...	180,739	0	-180,739
Forestry Incentives Program.........	11,891	0	-11,891
Water Bank Program..................	8,371	0	-8,371
TOTAL, Agricultural Stabilization and Conservation Service.....................	201,149	0	-201,149
FEDERAL CROP INSURANCE CORPORATION:			
Administrative and Operating Expenses.	209,468	239,885	30,417
Federal Crop Insurance Corp. Fund Premium subsidy.....................	134,190	135,743	1,553
TOTAL, Federal Crop Insurance Corporation......................	343,658	375,628	31,970

Agency or Item	1986 Appropriations Adjusted	1987 Budget	Increase or Decrease
COMMODITY CREDIT CORPORATION:			
Temporary Emergency Food Assistance Program	47,563	0	-47,563
Commodity Credit Corporation Fund:			
Reimburs. for Net Realized Losses	13,140,069	16,808,806	3,668,737
OFFICE OF RURAL DEVELOPMENT POLICY:			
Salaries and Expenses	407	0	-407
FARMERS HOME ADMINISTRATION:			
Agricultural Credit Insurance Fund:			
Loan levels:			
Operating loans:			
Direct	(1,503,200)	(1,305,000)	(-198,200)
Guaranteed	(1,660,900)	(2,175,000)	(514,100)
Real estate loans:			
Direct	(413,900)	(195,000)	(-215,000)
Guaranteed	(255,000)	(325,000)	(70,000)
Soil conservation loans (direct)	(15,100)	(0)	(-15,100)
Emergency loans (disaster)	(1,244,100)	(700,000)	(-544,100)
Interest buy down	(114,800)	(185,000)	(70,200)
Reimbursement for losses	1,083,403	2,440,203	1,356,800
Total, Agricultural Credit Insurance Fund	1,083,403	2,440,203	1,356,800
Rural Housing Insurance Fund:			
Loan Levels:			
Low income housing (502)	(1,339,800)	(0)	(0)
Very-low income housing (504)	(14,400)	(0)	(0)
Rural rental housing	(669,900)	(0)	(0)
Other	(172,400)	(0)	(0)
Reimbursement for losses	1,832,863	2,714,566	881,703
Reimbursement for Rural Rental Assistance Payments	163,420	151,868	-11,552
Total, Rural Housing Insurance Fund	1,996,283	2,866,434	870,151
Rural Development Insurance Fund:			
Loan levels:			
Water and waste disposal loans	(325,380)	(0)	(-325,380)
Business & Industrial loans	(95,700)	(0)	(-95,700)
Community facility loans	(95,700)	(0)	(-95,700)
Reimbursement for losses	556,645	736,619	179,974
Total, Rural Development Insurance Fund	556,645	736,619	179,974
Rural Water and Waste Disposal Grants	109,395	0	-109,395
Very Low-Income Housing Repair Grants.	11,891	0	-11,891
Rural Housing for Domestic Farm Labor.	9,513	0	-9,513
Mutual and Self-Help Housing	7,610	0	-7,610
Rural Community Fire Protection Grants	3,091	0	-3,091
Rural Rental Assistance Payments, RHIF	(160,310)	(0)	(-160,310)
Compensation for Construction Defects.	713	0	-713
Rural Housing Preservation Grants	20,000	0	-20,000

Agency or Item	1986 Appropriations: Adjusted	1987 Budget	Increase or Decrease
FARMERS HOME ADMINISTRATION (Con't):			
Salaries and Expenses:			
Total, salaries and expenses	360,106	386,639	26,533
Transfers from loan accounts........	-4,000	-4,000	0
Total, Direct Appropriation, Salaries and Expenses............	356,106	382,639	26,533
TOTAL, Farmers Home Administration................	4,154,650	6,425,895	2,271,245
RURAL ELECTRIFICATION ADMINISTRATION:			
Rural Electrification and Telephone Revolving Fund:			
Electrification Program:			
Insured loans..................	(622,050)	(375,000)	(-247,050)
Loan guarantee commitments......	(813,450)	(225,000)	(-588,450)
Total, Electrification Program	(1,435,500)	(600,000)	(-835,500)
Telephone Program:			
Insured loans..................	(239,250)	(60,000)	(-179,250)
Loan guarantee commitments......	(119,625)	(0)	(-119,625)
Total, Telephone Program......	(358,875)	(60,000)	(-298,875)
Total, Rural Electrification and Telephone Revolving Fund	(1,794,375)	(660,000)	(-1,134,375)
Rural Telephone Bank:			
Purchase of Capital Stock.........	28,710	0	-28,710
Loan level........................	(177,045)	(139,000)	(-38,045)
Rural Communication Development Fund			
Reimbursement for losses..........	1,196	1,591	395
Salaries and Expenses...............	29,447	26,355	-3,092
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses...........	100,000	0	-100,000
TOTAL, Rural Electrification Administration................	159,353	27,946	-131,407
SOIL CONSERVATION SERVICE:			
Conservation Operations:			
Technical assistance................	270,604	286,036	15,432
Inventory and monitoring............	11,683	9,689	-1,994
Soil survey.........................	55,589	55,360	-229
Snow survey and water forecasting...	3,776	5,039	1,263
Operation of plant materials centers	3,886	4,147	261
Resource appraisal and program development.......................	2,802	1,725	-1,077
Total, Conservation Operations..	348,340	361,996	13,656
River Basin Surveys and Investigations	14,166	9,472	-4,694
Watershed Planning....................	8,480	6,480	-2,000

Agency or Item	1986 Appropriations Adjusted	1987 Budget	Increase or Decrease
SOIL CONSERVATION SERVICE (Con't):			
Watershed and Flood Prevention Operations:			
Watershed operations authorized by Public Law 534..............	33,870	12,400	-21,470
Emergency watershed protection operations......................	43,031	1,106	-41,925
Small watersheds authorized by Public Law 566.................	143,799	54,272	-89,527
Total, Watershed and Flood Prevention Operations.......	220,700	67,778	-152,922
Resource Conservation and Development.	25,020	11,400	-13,620
Great Plains Conservation Program.....	20,474	0	-20,474
TOTAL, Soil Conservation Service....	637,180	457,126	-180,054
FOOD AND NUTRITION SERVICE:			
Child Nutrition Programs:			
School lunch program................	525,836	557,092	31,256
Special assistance..................	2,208,432	2,355,993	147,561
School breakfast program............	410,918	436,423	25,505
State administrative expenses.......	48,893	51,217	2,324
Summer feeding......................	121,898	132,748	10,850
Child care feeding..................	483,542	541,733	58,191
Commodity procurement...............	132,889	150,941	18,052
Nutrition studies and surveys.......	2,258	2,470	212
Nutrition education and training....	5,000	5,000	0
Total, Child Nutrition Programs...	3,939,666	4,233,617	293,951
Proposed legislation................	-66,619	-775,281	-708,662
Subtotal, Child Nutrition Programs	3,873,047	3,4[illegible]6	-414,711
Transfer from Section 32............	-3,271,592	-3,227,[illegible]23	43,669
Total, Direct Appropriation, Child Nutrition Programs..........	601,455	230,413	-371,042
Special Milk Program................	11,500	0	-11,500
Women, Infants and Children Programs (WIC and CSFP):			
Women, infants and children.......	1,560,494	1,617,000	56,506
Commodity supplemental food prog..	36,777	38,605	1,828
Total, Special Supple. Food Prog	1,597,271	1,655,605	58,334
Food Stamp Program:			
Benefit costs.....................	10,738,185	10,912,190	174,005
State administration..............	915,080	972,459	57,379
Excess State error liabilities....	0	-169,139	-169,139
State anti-fraud activities.......	52,400	54,758	2,358
Other program costs...............	56,651	61,647	4,996
Subtotal, Food Stamp Program....	11,762,316	11,831,915	69,599
Proposed Legislation..............	0	-313,336	-313,336
Total, Food Stamp Program.......	11,762,316	11,518,579	-243,737

Agency or Item	1986 Appropriations Adjusted	1987 Budget	Increase or Decrease
FOOD AND NUTRITION SERVICE (Con't):			
Nutrition Assistance for Puerto Rico..	820,050	825,000	4,950
Cash and Commodities for Selected Groups:			
Needy Family Programs:			
Commodities in lieu of food stamps........................	38,636	39,505	869
Payments to distribution agencies for administration...	15,370	15,795	425
Total, Needy Family Programs..	54,006	55,300	1,294
Elderly Feeding Program...........	131,083	132,000	917
Total, Cash and Commodities for Selected Groups.........	185,089	187,300	2,211
Food Program Administration:			
Federal administration expenses.....	78,403	86,100	7,697
TOTAL, Food and Nutrition Service.....	15,056,084	14,502,997	-553,087
HUMAN NUTRITION INFORMATION SERVICE:			
Research, analysis, and technical assistance..........................	12,890	6,876	-6,014
FOREIGN AGRICULTURAL SERVICE:			
Foreign agricultural affairs..........	20,816	22,525	1,709
Foreign market development............	46,943	37,082	-9,861
Foreign market infomation and Access..	11,673	12,275	602
The General Sales Manager.............	(5,827)	(6,089)	(262)
TOTAL, Foreign Agricultural Service.	79,432	71,882	-7,550
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT:			
Salaries and Expenses:			
International scientific and technical cooperation...........	3,300	2,829	-471
International agricultural development......................	1,831	222	-1,609
Total, Salaries and Expenses..	5,131	3,051	-2,080
Scientific Activities Overseas......	2,854	0	-2,854
TOTAL, Office of International Cooperation and Development...	7,985	3,051	-4,934
PUBLIC LAW 480:			
Financing sales (Title I and III).....	624,976	564,400	-60,576
Commodities donated (Title II)........	618,318	600,000	-18,318
TOTAL, Public Law 480...............	1,243,294	1,164,400	-78,894
OFFICE OF THE SECRETARY:			
Program and policy direction and coordination:			
Office of the Secretary...........	1,649	1,790	141
Under/Assistant Secretaries.......	3,810	3,748	-62
TOTAL, Office of the Secretary..	5,459	5,538	79

Agency or Item	1986 Appropriations Adjusted	1987 Budget	Increase or Decrease
DEPARTMENTAL ADMINISTRATION:			
Budget and Program Analysis...........	3,611	3,732	121
Personnel...........................	4,732	4,880	148
Finance and Management...............	3,375	3,437	62
Operations...........................	2,360	2,381	21
Information Resources Management......	3,917	3,778	-139
Advocacy & Enterprise................	2,327	2,826	499
Administrative Law Judges & Judicial Officer...........................	803	886	83
TOTAL, Departmental Administration	21,125	21,920	795
WORKING CAPITAL FUND....................	5,964	6,000	36
RENTAL PAYMENTS & BUILDING OPERATIONS:			
Rental Payments	48,819	57,380	8,561
Building Operations	16,932	18,800	1,868
TOTAL, Rental Payments & Bldg. Oper.	65,751	76,180	10,429
ADVISORY COMMITTEES.....................	1,258	1,323	65
OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS:			
Public Affairs......................	7,365	7,624	259
Congressional Relations.............	471	486	15
Intergovernmental Affairs...........	444	460	16
TOTAL, Office of Governmental and Public Affairs..................	8,280	8,570	290
OFFICE OF THE INSPECTOR GENERAL:			
Audits and investigations.............	44,461	46,321	1,860
OFFICE OF THE GENERAL COUNSEL:			
Legal Services........................	16,831	17,430	599
TOTALS:			
Current Law Estimates.................	37,224,759	42,807,603	5,582,844
Savings from Proposed Legislation.....	-66,619	-1,088,617	-1,021,998
TOTAL, Agriculture Bill, President's Budget.............................	37,158,140	41,718,986	4,560,846

Additional changes to FY 1986 Column:

Proposed supplementals:	
Commodity Credit Corporation:	
Transfer to ABCS-SWE................	71,598
Reimburs. for Net Realized Losses...	7,950,000
Farmers Home Administration:	
Rural Housing Loans.................	(-700,000)
TOTAL, Supplementals..............	8,021,598
Proposed rescissions:	
Agricultural Stabilization and Conservation Service:	
Agricultural Conservation Program.	-140,839
Water Bank Program................	-8,371
Dairy Indemnity Program...........	-95
Rural Clean Water Program	(-6,000) a/
Farmers Home Administration:	
Rural Development Loan Fund.........	(-13,674) a/
Rural Electrification Administration:	
Reimbursement to the Rural Electrification & Telephone Revolving Fund	-100,000
Purchase of Telephone Bank Capital Stock............................	-28,710
Soil Conservation Service:	
Watershed & Flood Prevention........	-60,401
Great Plains Conservation Program...	-6,606
Food and Nutrition Service:	
Cash & Commodities for Selected Groups............................	-5,183
TOTAL, Rescissions.............	-350,205
GRAND TOTAL, Agriculture Bill, Appropriated..........................	44,829,533

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a/ Rescission of unobligated balances.

Additional changes in FY 1987 Column:

Total, Direct Appropriations Agriculture Bill	41,718,986
Legislation proposed for later transmittal:	
FGIS	-6,979
APHIS	-20,856
FSIS	-365,841
ACS	-3,698
AMS:	
Marketing Services	-26,710
PSA	-9,093
FCIC:	
Adm. & Operating Expense	-114,859
FCIC Fund	-20,696
REA:	
Salaries and Expenses ..	-21,750
TOTAL, Proposed Leg.....	-590,482
GRAND TOTAL, Agriculture Bill, Appropriated	41,128,504

UNITED STATES DEPARTMENT OF AGRICULTURE
Fiscal Year 1986
Appropriations - Reconciliation and Comparability
(Dollars in Thousands)

Agency or Item	1986 Appropriations	.6% Reduction	Sequester Order	Comparability Adjustment	1986 Appropriations Adjusted	Rescissions	Supplementals	1986 Current Estimate
Agricultural Research Service	502,884	-3,018	-21,494	-292	478,080	- -	- -	478,080
Buildings and Facilities	6,350	-38	-271	- -	6,041	- -	- -	6,041
Total, ARS	509,234	-3,056	-21,765	-292	484,121	- -	- -	484,121
Cooperative State Research Service	290,423	-1,743	-12,534	-22	276,124	- -	- -	276,124
Extension Service	344,583	-1,836	-14,738	-44	327,965	- -	- -	327,965
National Agricultural Library	11,340	-68	-485	-9	10,778	- -	- -	10,778
Federal Grain Inspection Service	7,045	-42	-301	-5	6,697	- -	- -	6,697
Animal and Plant Health Inspection Service:								
Salaries and Expenses	316,286	-1,898	-13,519	-185	300,684	- -	- -	300,684
Buildings and Facilities	4,262	-26	-182	- -	4,054	- -	- -	4,054
Total, APHIS	320,548	-1,924	-13,701	-185	304,738	- -	- -	304,738
Food Safety and Inspection Service:								
Salaries and Expenses	364,265	-2,186	-15,569	-313	346,197	- -	- -	346,197
Agricultural Marketing Service:								
Marketing Services	32,080	-193	-1,371	-40	30,476	- -	- -	30,476
Payments to States and Possessions	990	-6	-42	- -	942	- -	- -	942
Total, AMS	33,070	-199	-1,413	-40	31,418	- -	- -	31,418
Office of Transportation	2,466	-15	-105	-6	2,340	- -	- -	2,340
Packers and Stockyards Administration	9,201	-55	-393	-13	8,740	- -	- -	8,740
Agricultural Cooperative Service	4,713	-28	-201	-15	4,469	- -	- -	4,469
Economic Research Service:								
Economic Research Service	46,375	-278	-1,982	-133	43,982	- -	- -	43,982
Statistical Reporting Service:								
Statistical Reporting Service	59,079	-354	-2,525	-63	56,137	- -	- -	56,137
World Agricultural Outlook Board	1,680	-10	-72	-7	1,591	- -	- -	1,591
Agricultural Stabilization and Conservation Service:								
Salaries and Expenses	198	- -	- -	-145	53	- -	- -	53
Dairy Indemnity Program	100	-1	-4	- -	95	-95	- -	- -
Agricultural Conservation Program	190,000	-1,140	-8,121	- -	180,739	-140,839	- -	39,900
Forestry Incentives Program	12,500	-75	-534	- -	11,891	- -	- -	11,891
Water Bank Program	8,800	-53	-376	- -	8,371	-8,371	- -	- -
Total, ASCS	211,598	-1,269	-9,035	-145	201,149	-149,305	- -	51,844
Federal Crop Insurance Corporation:								
Administrative and Operating Expenses	220,348	-1,322	-9,418	-140	209,468	- -	- -	209,468
Subscription to Capital Stock	- -	- -	- -	- -	- -	- -	- -	- -
Federal Crop Insurance Corporation Fund	135,000	-810	- -	- -	134,190	- -	- -	134,190
Total, FCIC	355,348	-2,132	-9,418	-140	343,658	- -	- -	343,658

Agency or Item	1986 Appropriations	.6% Reduction	Sequester Order	Comparability Adjustment	1986 Appropriations Adjusted	Rescissions	Supplementals	1986 Current Estimate
Temporary Emergency Food Assistance Program	50,000	-300	-2,137	- -	47,563	- -	- -	47,563
Commodity Credit Corporation	13,195,240	-55,171	- -	- -	13,140,069	- -	8,021,598	21,161,667
Office of Rural Development Policy:								
Salaries and Expenses	407	- -	- -	- -	407	- -	- -	407
Farmers Home Administration:								
Agricultural Credit Insurance Fund	1,089,943	-6,540	- -	- -	1,083,403	- -	- -	1,083,403
Rural Housing Insurance Fund	2,007,347	-11,064	- -	- -	1,996,283	- -	- -	1,996,283
Rural Development Insurance Fund	560,005	-3,360	- -	- -	556,645	- -	- -	556,645
Rural Water and Waste Disposal Grants	115,000	-690	-4,915	- -	109,395	- -	- -	109,395
Very Low-Income Housing Repair Grants	12,500	-75	-534	- -	11,891	- -	- -	11,891
Rural Housing for Domestic Farm Labor	10,000	-60	-427	- -	9,513	- -	- -	9,513
Mutual and Self-Help Housing	8,000	-48	-342	- -	7,610	- -	- -	7,610
Rural Community Fire Protection Grants	3,250	-20	-139	- -	3,091	- -	- -	3,091
Rural Rental Assistance Payments	- -	- -	- -	- -	- -	- -	- -	- -
Compensation for Construction Defects	750	-5	-32	- -	713	- -	- -	713
Rural Housing Preservation Grants	20,000	- -	- -	- -	20,000	- -	- -	20,000
Salaries and Expenses	376,197	-2,252	-16,041	-1,798	356,106	- -	- -	356,106
Total, FmHA	4,202,992	-24,114	-22,430	-1,798	4,154,650	- -	- -	4,154,650
Rural Electrification Administration:								
Rural Telephone Bank:								
Purchase of Capital Stock	30,000	- -	-1,290	- -	28,710	-28,710	- -	- -
Rural Communication Development Fund:								
Reimbursement for losses	1,203	-7	- -	- -	1,196	- -	- -	1,196
Salaries and Expenses	30,990	-186	-1,325	-32	29,447	- -	- -	29,447
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses	100,000	- -	- -	- -	100,000	-100,000	- -	- -
Total, REA	162,193	-193	-2,615	-32	159,353	-128,710	- -	30,643
Soil Conservation Service:								
Conservation Operations	366,530	-2,241	-15,620	-329	348,340	- -	- -	348,340
River Basin Surveys and Investigations	14,906	-89	-637	-14	14,166	- -	- -	14,166
Watershed Planning	8,922	-54	-381	-7	8,480	- -	- -	8,480
Watershed & Flood Prevent. Operations	231,795	-1,103	-9,920	-72	220,700	-60,401	- -	160,299
Resource Conservation and Development	26,320	-158	-1,125	-17	25,020	- -	- -	25,020
Great Plains Conservation Program	21,531	-129	-920	-8	20,474	-6,606	- -	13,868
Total, SCS	670,004	-3,774	-28,603	-447	637,180	-67,007	- -	570,173

Agency or Item	1986 Appropriations	.6% Reduction	Sequester Order	Comparability Adjustment	1986 Appropriations Adjusted	Rescissions	Supplementals	1986 Current Estimate
Food and Nutrition Service:								
Child Nutrition Programs:								
Direct	668,218	- -	-144	- -	668,074	- -	- -	668,074
Proposed legislation	-66,619	- -	- -	- -	-66,619	- -	- -	-66,619
Transfer (Section 32)	(3,271,592)	(- -)	(- -)	(- -)	(3,271,592)	- -	- -	(3,271,592)
Total, CNP	(3,873,191)	(- -)	(-144)	(- -)	(3,873,047)	- -	- -	(3,873,047)
Special Milk Program	11,500	- -	- -	- -	11,500	- -	- -	11,500
Women, Infants and Children Programs	1,570,000	-9,420	-86	- -	1,560,494	- -	- -	1,560,494
Commodity Supplemental Food Program	36,999	-222	- -	- -	36,777	- -	- -	36,777
Food Stamp Program	11,836,233	-71,349	-2,568	- -	11,762,316	- -	- -	11,762,316
Nutrition Assistance for Puerto Rico	825,000	-4,950	- -	- -	820,050	- -	- -	820,050
Cash and Commodities for Selected Groups	194,573	-1,168	-8,316	- -	185,089	-5,183	- -	179,906
Food Program Administration	82,502	-495	-3,526	-78	78,403	- -	- -	78,403
Total, FNS	15,158,406	-87,604	-14,640	-78	15,056,084	-5,183	- -	15,050,901
Human Nutrition Information Service	13,562	-81	-580	-11	12,890	- -	- -	12,890
Foreign Agricultural Service	83,547	-501	-3,571	-43	79,432	- -	- -	79,432
Office of International Cooperation and Development:								
Salaries and Expenses	5,417	-33	-232	-21	5,131	- -	- -	5,131
Scientific Activities Overseas (Foreign Currency Program)	3,000	-18	-128	- -	2,854	- -	- -	2,854
Total, OICD	8,417	-51	-360	-21	7,985	- -	- -	7,985
Public Law 480	1,307,000	-7,842	-55,864	- -	1,243,294	- -	- -	1,243,294
Office of the Secretary	5,793	-35	-248	-51	5,459	- -	- -	5,459
Departmental Administration	15,493	-92	-662	+2,775	17,514	- -	- -	17,514
Office of Budget and Program Analysis	3,796	-23	-162	- -	3,611	- -	- -	3,611
Working Capital Fund	6,000	-36	- -	- -	5,964	- -	- -	5,964
Rental Payments and Building Operations	69,134	-428	-3,046	+91	65,751	- -	- -	65,751
Advisory Committees	1,323	-8	-57	- -	1,258	- -	- -	1,258
Office of Governmental and Public Affairs	7,720	-47	-330	+937	8,280	- -	- -	8,280
Office of the Inspector General	46,680	-185	-1,999	-35	44,461	- -	- -	44,461
Office of the General Counsel	15,863	-90	-678	+1,736	16,831	- -	- -	16,831
Total, USDA	37,594,538	-195,770	-242,219	+1,591	37,158,140	-350,205	8,021,598	44,829,533

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 1--New Budget (Obligational) Authority by Appropriation
1985, 1986 Enacted, 1986 Adjusted and 1987 Budget Estimates

NOTE: Amounts for 1985 have been adjusted for comparability with the appropriation structure proposed in the 1987 Budget Estimates. (Amounts in parenthesis are not included in totals.)
(Dollars in Thousands)

Agency or Item	1985 Actual	1986 Enacted To Date	1986 Adjusted	1987 Budget Estimates
Office of the Secretary	5,263	5,700	5,704	5,538
Departmental Administration	21,778	19,015	22,075	21,920
Working Capital Fund	6,000	5,964	5,964	6,000
Rental Payments & Building Operations	64,774	70,826	68,706	76,180
Advisory Committees	1,385	1,315	1,315	1,323
Office of Governmental and Public Affairs	8,762	7,673	8,652	8,570
Office of the Inspector General	29,931	30,571	30,536	46,321
Transfer from Food Stamp Program	16,355	15,924	15,924	- -
Total, OIG	46,286	46,495	46,460	46,321
Office of the General Counsel	16,383	14,987	16,802	17,430
Transfer from Food Stamp Program	974	786	786	- -
Total, OGC	17,357	15,773	17,588	17,430
Federal Grain Inspection Service	6,994	7,003	6,998	6,979
Agricultural Research Service	489,947	500,025	499,561	513,053
Buildings and Facilities	22,350	6,312	6,312	- -
Total, ARS	512,297	506,337	505,873	513,053
Cooperative State Research Service	304,293	288,680	288,657	246,356
Extension Service	343,681	304,120	304,074	140,000
Transfer from Food Stamp Program	- -	38,627	38,627	- -
Total, ES	343,681	342,747	342,701	140,000
National Agricultural Library	11,455	11,272	11,263	11,421
Animal and Plant Health Inspection Service:				
Salaries and Expenses	298,364	314,388	314,195	253,156
Buildings and Facilities	2,361	4,236	4,236	2,347
Total, APHIS	300,725	318,624	318,431	255,503
Food Safety and Inspection Service	364,308	362,079	361,752	365,841
Economic Research Service	47,008	46,027	45,958	45,475
Statistical Reporting Service	58,221	58,725	58,659	59,712
Agricultural Cooperative Service	4,660	4,685	4,670	3,698
World Agricultural Outlook Board	1,669	1,670	1,663	1,680
Agricultural Marketing Service:				
Marketing Services	30,829	32,015	31,839	31,053
Payments to States and Possessions	990	984	984	--
Total, AMS	31,819	32,999	32,823	31,053

Agency or Item	1985 Actual	1986 Enacted To Date	1986 Adjusted	1987 Budget Estimates
Office of Transportation	2,878	2,451	2,445	1,233
Packers and Stockyards Administration	9,022	9,146	9,133	9,093
Agricultural Stabilization and Conservation Service:				
Salaries and Expenses	50,609	- -	53	- -
Transfer from Commodity Credit Corporation	(344,199)	(400,821)	(400,821)	(417,396)
Total, Salaries and Expenses	(394,808)	(400,821)	(400,874)	(417,396)
Dairy Indemnity Program	100	99	99	- -
Agricultural Conservation Program	190,000	188,860	188,860	- -
Forestry Incentives Program	12,500	12,425	12,425	- -
Water Bank Program	8,800	8,747	8,747	- -
Total, ASCS	262,009	210,131	210,184	- -
Federal Crop Insurance Corporation:				
Administrative and Operating Expenses	200,362	219,026	218,886	239,885
Federal Crop Insurance Corporation Fund	273,000	134,190	134,190	135,743
Total, FCIC	473,362	353,216	353,076	375,628
Commodity Credit Corporation:				
Reimbursement for Net Realized Losses	12,285,790	13,140,069	13,140,069	16,808,806
Portion Applied to Debt Reduction	-12,285,790	-13,140,069	-13,140,069	-16,710,412
Portion Applied to Liquidate Contract Authority	- -	- -	- -	-98,394
Temporary Emergency Food Assistance Program	57,000	49,700	49,700	- -
Total, Commodity Credit Corporation	57,000	49,700	49,700	- -
Office of Rural Development Policy:				
Salaries and Expenses	2,345	407	407	- -
Farmers Home Administration:				
Rural Housing Insurance Fund:				
Reimbursement for losses	1,843,927	1,832,863	1,832,863	2,714,566
Reimbursement for Rural Rental Assistance Payments	103,810	163,420	163,420	151,868
Loan Levels:				
Direct loans	(7,897)	(15,000)	(15,000)	(- -)
Insured loans	(2,710,477)	(2,112,600)	(2,112,600)	(- -)
Total, RHIF	1,947,737	1,996,283	1,996,283	2,866,434

Agency or Item	1985 Actual	1986 Enacted To Date	1986 Adjusted	1987 Budget Estimates
Agricultural Credit Insurance Fund:				
Reimbursement for losses	1,089,943	1,083,403	1,083,403	2,440,203
Loan Levels:				
Real estate loans	(731,689)	(692,000)	(692,000)	(548,000)
Operating loans	(4,706,818)	(3,312,000)	(3,312,000)	(3,452,000)
Soil Conservation loans	(2,733)	(16,000)	(16,000)	(- -)
Emergency loans (Disaster)	(490,877)	(1,300,000)	(1,300,000)	(700,000)
Total, ACIF	1,089,943	1,083,403	1,083,403	2,440,203
Rural Development Insurance Fund:				
Reimbursement for losses	560,005	556,645	556,645	736,619
Loan levels:				
Water and sewer facility loans	(340,000)	(340,000)	(340,000)	(- -)
Industrial development loans (guaranteed)	(61,338)	(100,000)	(100,000)	(- -)
Community facility loans	(115,000)	(100,000)	(100,000)	(- -)
Total, RDIF	560,005	556,645	556,645	736,619
Rural Water and Waste Disposal Grants.	115,000	114,310	114,310	- -
Very Low-Income Housing Repair Grants.	12,500	12,425	12,425	- -
Rural Housing Preservation Grants	5,000	20,000	20,000	- -
Rural Housing for Domestic Farm Labor.	- -	9,940	9,940	- -
Mutual and Self-Help Housing	8,000	7,952	7,952	- -
Rural Community Fire Protection Grants	3,250	3,230	3,230	- -
Rural Rental Assistance Payments	52,250	- -	- -	- -
Rural Rental Assistance Payments, RHIF	(115,994)	(167,513)	(167,513)	(- -)
Total, Rural Rental Assistance Payments	(168,244)	(167,513)	(167,513)	(- -)
Compensation for Construction Defects	1,000	745	745	- -
Salaries and Expenses	352,277	373,045	372,147	382,639
Transfer from loan accounts	(1,000)	(4,000)	(4,000)	(4,000)
Total, Salaries and Expenses	(353,297)	377,045	376,147	(386,639)
Total, FmHA	4,146,982	4,177,978	4,177,080	6,425,895
Rural Electrification Administration:				
Rural Electrification and Telephone Revolving Fund:				
Electrification Program:				
Insured loans	(850,000)	(650,000)	(650,000)	(375,000)
Loan guarantee commitments	(1,200,000)	(850,000)	(850,000)	(225,000)
Total	(2,050,000)	(1,500,000)	(1,500,000)	(600,000)
Telephone Program:				
Insured loans	(250,000)	(250,000)	(250,000)	(60,000)
Loan guarantee commitments	(125,000)	(125,000)	(125,000)	(- -)
Total	(375,000)	(375,000)	(375,000)	(60,000)
Total, Rural Electrification and Telephone Revolving Fund	(2,425,000)	(1,875,000)	(1,875,000)	(660,000)
Rural Telephone Bank:				
Purchase of Capital Stock	30,000	30,000	30,000	- -
Loan level	(167,773)	(185,000)	(185,000)	(139,000)
Total, Rural Telephone Bank	(197,773)	(215,000)	(215,000)	(139,000)
Rural Communication Development Fund:				
Reimbursement for losses	841	1,196	1,196	1,591
Salaries and Expenses	30,635	30,804	30,772	26,355
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses	215,964	100,000	100,000	- -
Total, REA	277,440	162,000	161,968	27,946

Agency or Item	1985 Actual	1986 Enacted To Date	1986 Adjusted	1987 Budget Estimates
Soil Conservation Service:				
Conservation Operations	364,591	363,267	363,960	361,996
River Basin Surveys and Investigations	14,892	14,817	14,803	9,472
Watershed Planning	8,915	8,868	8,861	6,480
Watershed & Flood Prevent. Operations	183,771	230,692	230,620	67,778
Resource Conservation and Development	26,303	26,162	26,145	11,400
Great Plains Conservation Program	21,523	21,402	21,394	- -
Total, SCS	621,017	665,208	665,783	457,126
Food and Nutrition Service:				
Child Nutrition Programs	1,474,861	668,218	668,218	1,005,694
Proposed Legislation	- -	-66,619	-66,619	-775,281
Transfer from Section 32	(2,329,819)	(3,271,592)	(3,271,592)	(3,227,923)
Total, Child Nutrition Programs	(3,804,680)	(3,873,191)	(3,873,191)	(3,458,336)
Special Milk Program	17,600	11,500	11,500	- -
Women, Infants and Children (WIC)	1,500,000	1,560,580	1,560,580	1,617,000
Commodity Supplemental Food Program (CSFP)	24,918	36,777	36,777	38,605
Food Stamp Program	11,751,527	11,820,221	11,820,221	11,831,915
Proposed Legislation	11,768,856	- -	- -	-313,336
Transfer to Extension Service	- -	-38,627	-38,627	- -
Transfer to the OIG	-16,355	-15,924	-15,924	- -
Transfer to OGC	-974	-786	-786	- -
Total, Food Stamp Program	11,751,527	11,764,884	11,764,884	11,518,579
Nutrition Assistance for Puerto Rico	825,000	820,050	820,050	825,000
Cashed and Commodities for Selected Groups	139,546	193,405	193,405	187,300
Food Program Administration	84,105	82,007	81,925	86,100
Total, FNS	15,817,557	15,070,802	15,070,720	14,502,997
Human Nutrition Information Service	7,521	13,481	13,469	6,876
Foreign Agricultural Service	83,579	83,046	83,003	71,882
The General Sales Manager:				
Transfer from CCC	(6,089)	(6,089)	(6,089)	(6,089)
Office of International Cooperation and Development:				
Salaries and Expenses	5,015	5,384	5,363	3,051
Scientific Activities Overseas (Foreign Currency Program)	5,000	2,982	2,982	- -
Total OICD	10,015	8,366	8,345	3,051
Public Law 480:				
Titles I and III	615,000	653,058	653,058	564,400
Title II	1,349,000	646,100	646,100	600,000
Total, Public Law 480	1,964,000	1,299,158	1,299,158	1,164,000
Total, Above (Direct Appropriations)	25,893,156	24,258,699	24,260,383	24,910,180
Forest Service:				
Forest Research	113,826	125,525	125,525	111,481
State and Private Forestry	58,292	57,638	57,638	24,871
National Forest System	1,111,548	1,048,301	1,076,617	889,488
Land Acquisition	50,535	28,130	28,130	3,206

Agency or Item	1985 Actual	1986 Enacted To Date	1986 Adjusted	1987 Budget Estimates
Forest Service (Cont'd.):				
Construction	111,794	222,522	222,522	195,197
Acquisition of lands for national forests, special acts	706	777	777	966
Acquisition of lands to complete land exchanges	42	20	20	895
Range Betterment Fund	3,966	3,798	3,798	3,800
Miscellaneous Contributed Funds	35	89	89	90
Total, Forest Service	1,450,744	1,486,800	1,515,116	1,229,994
Total, Above Items - (Direct Appropriations)	27,343,900	25,745,499	25,775,499	26,140,174
PERMANENT APPROPRIATIONS - FEDERAL FUNDS:				
Cooperative State Research Service	2,800	2,800	2,800	- -
Agricultural Marketing Service:				
Perishable Agricultural Commodities Act Fund	3,403	3,356	3,356	3,356
Funds for Strengthening Markets, Income and Supply (Section 32)	487,263	376,723	376,723	420,077
Commodity Credit Corporation	3,743,057	5,319,558	5,319,558	118,635
Borrowing Authority	11,448,956	17,078,774	17,078,774	15,536,817
Farmers Home Administration:				
Rural Housing Insurance Fund	574,142	668,676	668,676	- -
Agricultural Credit Insurance Fund	1,890,944	1,004,275	1,004,275	394,040
Rural Development Insurance Fund	159,807	256,822	256,822	- -
Rural Electrification Administration:				
Rural Electrification and Telephone Revolving Fund	152,504	- -	- -	- -
Rural Communication Development Fund	- -	452	452	- -
Rural Telephone Bank	95,625	109,463	109,463	56,357
Food and Nutrition Service	2,329,819	3,271,592	3,271,592	3,227,923
Total, Permanent Appropriations (Excluding Forest Service)	20,888,320	28,092,491	28,092,491	19,757,205
Forest Service	393,633	379,657	379,657	445,103
Total, Permanent Appropriations Federal Funds	21,281,953	28,472,148	28,472,148	20,202,308
PERMANENT APPROPRIATIONS - TRUST FUNDS:				
Office of the Secretary	213	147	147	101
Agricultural Research Service	1,509	2,000	2,000	2,000
Animal & Plant Health Inspection Serv.	5,103	4,735	4,735	4,735
Food Safety and Inspection Service	686	825	825	825
Economic Research Service	28	- -	- -	- -
Statistical Reporting Service	209	160	160	160
Agricultural Marketing Service	79,231	78,378	78,378	78,378
Soil Conservation Service	431	560	560	560
Office of International Cooperation and Development	4,789	3,257	3,257	3,352
Total, Permanent Appropriations (Excluding Forest Service)	92,199	90,062	90,062	90,111

Agency or Item	1985 Actual	1986 Enacted To Date	1986 Adjusted	1987 Budget Estimates
PERMANENT APPROPRIATIONS - TRUST FUNDS: (Cont'd.)				
Forest Service	273,030	185,091	155,091	227,616
Total, Permanent Appropriations - Trust Funds	364,229	275,153	245,153	317,727
SUPPLEMENTALS:				
Commodity Credit Corporation:				
Transfer to ASCS - Salaries and Expenses	- -	71,598	71,598	- -
Reimbursement for Net Realized Losses	- -	7,950,000	7,950,000	- -
Portion Applied to Debt Reduction ..	- -	-7,950,000	-7,950,000	- -
Forest Service:				
National Forest System	- -	165,700	165,700	- -
Total, Supplementals	- -	237,298	237,298	- -
PROPOSED RESCISSIONS:				
Agricultural Stabilization and Conservation Service:				
Dairy Indemnity Program	- -	-95	-95	- -
Agricultural Conservation Program ..	- -	140,839	-140,839	- -
Water Bank Program	- -	-8,371	-8,371	- -
Farmers Home Administration:				
Rural Housing Insurance Fund	- -	-351,476	-351,476	- -
Rural Electrification Administration:				
Rural Electrification and Telephone Revolving Fund:				
Reimbursement for Losses	- -	-100,000	-100,000	- -
Purchase of Rural Telephone Bank Capital Stock	- -	-28,710	-28,710	- -
Soil Conservation Service:				
Watershed and Flood Prevention Op. .	- -	-60,401	-60,401	- -
Great Plains Conservation Program ..	- -	-6,606	-6,606	- -
Food and Nutrition Service:				
Cash and Commodities for Selected Groups	- -	-5,183	-5,183	- -
Total, Proposed Rescissions	- -	-701,681	-701,681	- -

Agency or Item	1985 Actual	1986 Enacted To Date	1986 Adjusted	1987 Budget Estimates
PROPOSED LEGISLATION:				
Farmers Home Administration	- -	- -	- -	-536,875
Rural Electrification Administration	- -	- -	- -	-21,750
Commodity Credit Corporation	- -	- -	- -	-139,786
Federal Grain Inspection Service:				
Salaries and Expenses	- -	- -	- -	-6,979
Animal and Plant Health Inspection Service:				
Salaries and Expenses	- -	- -	- -	-20,856
Food Safety and Inspection Service:				
Salaries and Expenses	- -	- -	- -	-365,841
Agricultural Cooperative Service:				
Salaries and Expenses	- -	- -	- -	-3,698
Agricultural Marketing Service:				
Marketing Services	- -	- -	- -	-26,710
Packers and Stockyards Administration	- -	- -	- -	-9,093
Federal Crop Insurance Corporation:				
Administrative and Operating Expenses	- -	- -	- -	-114,859
Federal Crop Insurance Corporation Fund	- -	- -	- -	-20,696
Forest Service:				
National Forest System	- -	- -	- -	5,000
Recreation Facilities	- -	- -	- -	52,000
Permanent Appropriations	- -	- -	- -	-224,816
Total, Proposed Legislation	- -	- -	- -	-1,434,959
OFFSETTING RECEIPTS	-1,034,991	-1,293,868	-1,293,868	-1,249,374
TOTAL, United States Department of Agriculture	47,955,091	52,734,549	52,734,549	43,975,876
FFB PROGRAMS:				
Farmers Home Administration	11,520,000	3,039,108	3,039,108	165,705
Proposed Legislation	- -	- -	- -	-165,705
Rural Electrification Administration	2,441,359	2,346,800	2,346,800	1,890,900
Proposed Legislation	- -	- -	- -	-75,900
TOTAL, FFB Programs	13,961,359	5,385,908	5,385,908	1,815,000
GRAND TOTAL, USDA PROGRAMS	61,916,450	58,120,457	58,120,457	45,790,876

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 2 -- Reconciliation between 1986 Appropriations as shown in Appropriations Act and 1986 Adjusted to Reflect Transfers in the Estimates
(In Thousands of Dollars)

Agency or Item	1986 Appropriations	Adjustments -- Transfers in the Estimates	1986 Appropriations Adjusted
Office of the Secretary	5,700	+4	5,704
Departmental Administration	19,015	+3,060	22,075
Working Capital Fund	5,964	- -	5,964
Rental Payments & Building Operations	70,826	-2,120	68,706
Advisory Committees	1,315	- -	1,315
Office of Governmental and Public Affairs	7,673	+979	8,652
Office of the Inspector General	30,571	-35	30,536
Transfer from Food Stamp Program	15,924	- -	15,924
Total, OIG	46,495	-35	46,460
Office of the General Counsel	14,987	+1,815	16,802
Transfer from Food Stamp Program	786	- -	786
Total, OGC	15,773	+1,815	17,588
Federal Grain Inspection Service	7,003	-5	6,998
Agricultural Research Service	500,025	-464	499,561
Buildings and Facilities	6,312	- -	6,312
Total, ARS	506,337	-464	505,873
Cooperative State Research Service	288,680	-23	288,657
Extension Service	304,120	-46	304,074
Transfer from Food Stamp Program	38,627	- -	38,627
Total, ES	342,747	-46	342,701
National Agricultural Library	11,272	-9	11,263
Animal and Plant Health Inspection Service	314,388	-193	314,195
Buildings and Facilities	4,236	- -	4,236
Total, APHIS	318,624	-193	318,431
Food Safety and Inspection Service	362,079	-327	361,752
Economic Research Service	46,027	-69	45,958
Statistical Reporting Service	58,725	-66	58,659
Agricultural Cooperative Service	4,685	-15	4,670
World Agricultural Outlook Board	1,670	-7	1,663
Agricultural Marketing Service:			
Marketing Services	32,015	-176	31,839
Payments to States and Possessions	984	- -	984
Total, AMS	32,999	-176	32,823
Office of Transportation	2,451	-6	2,445
Packers and Stockyards Administration	9,146	-13	9,133
Agricultural Stabilization and Conservation Service:			
Salaries and Expenses	- -	+53	53
Transfer from Commodity Credit Corporation	(400,821)	(- -)	(400,821)
Total, Salaries and Expenses	(400,821)	(+53)	(400,874)
Dairy Indemnity Program	99	- -	99
Agricultural Conservation Program	188,860	- -	188,860
Forestry Incentives Program	12,425	- -	12,425
Water Bank Program	8,747	- -	8,747
Total, ASCS	210,131	+53	210,184
Federal Crop Insurance Corporation:			
Administrative and Operating Expenses	219,026	-140	218,886
Federal Crop Insurance Corporation Fund	134,190	- -	134,190
Total, FCIC	353,216	-140	353,076

Agency or Item	1986 Appropriations	Adjustments -- Transfers in the Estimates	1986 Appropriations Adjusted
Commodity Credit Corporation:			
Reimbursement for Net Realized Losses	13,140,069	- -	13,140,069
Portion Applied to Debt Reduction	-13,140,069	- -	-13,140,069
Temporary Emergency Food Assistance Program	49,700	- -	49,700
Total Commodity Credit Corporation	49,700	- -	49,700
Office of Rural Development Policy:			
Salaries and Expenses	407	- -	407
Farmers Home Administration:			
Rural Housing Insurance Fund:			
Loan Levels:			
Direct loans	(15,000)	(- -)	(15,000)
Insured loans	(2,112,600)	(- -)	(2,112,600)
Reimbursement for losses	1,832,863	- -	1,832,863
Reimbursement for Rural Rental Assistance Payments	163,420	- -	163,420
Total, RHIF	1,996,283	- -	1,996,283
Self-Help Housing Land Development Fund	(- -)	(- -)	(- -)
Agricultural Credit Insurance Fund:			
Reimbursement for losses	1,083,403	- -	1,083,403
Loan levels:			
Real estate loans	(692,000)	(- -)	(692,000)
Operating loans	(3,312,100)	(- -)	(3,312,000)
Soil conservation loans	(16,000)	(- -)	(16,000)
Emergency loans (disaster)	(1,300,000)	(- -)	(1,300,000)
Total, ACIF	1,083,403	- -	1,083,403
Rural Development Insurance Fund:			
Reimbursement for losses	556,645	- -	556,645
Loan levels:			
Water and sewer facility loans	(340,000)	(- -)	(340,000)
Industrial development loans	(100,000)	(- -)	(100,000)
Community facility loans	(100,000)	(- -)	(100,000)
Total, RDIF	556,645	- -	556,645
Mutual and Self-Help Housing	7,952	- -	7,952
Rural Water and Waste Disposal Grants	114,310	- -	114,310
Very Low-Income Housing Repair Grants	12,425	- -	12,425
Rural Housing Preservation Grants	20,000	- -	20,000
Rural Community Fire Protection Grants	3,230	- -	3,230
Rural Housing for Domestic Farm Labor	9,940	- -	9,940
Rural Rental Assistance Payments	- -	- -	- -
Rural Rental Assistance Payments, RHIF	(167,513)	(- -)	(167,513)
Total, Rural Rental Assistance Payments	(167,513)	(- -)	(167,513)
Compensation for Construction Defects	745	- -	745
Salaries and Expenses	377,045	-898	376,147
Transfer from Loan Accounts	-4,000	- -	-4,000
Total, Salaries and Expenses	373,045	-898	372,147
Total, FmHA	4,177,978	-898	4,177,080

Agency or Item	1986 Appropriations	Adjustments -- Transfers in the Estimates	1986 Appropriations Adjusted
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund:			
Electrification Program:			
Insured Loans	(650,000)	(- -)	(650,000)
Loan guarantee commitments	(850,000)	(- -)	(850,000)
Total	(1,500,000)	(- -)	(1,500,000)
Telephone Program:			
Insured Loans	(250,000)	(- -)	(250,000)
Loan guarantee commitments	(125,000)	(- -)	(125,000)
Total	(375,000)	(- -)	(375,000)
Total, Rural Electrification and Telephone Revolving Fund	(1,875,000)	(- -)	(1,875,000)
Rural Telephone Bank:			
Purchase of Capital Stock	30,000	- -	30,000
Loan level	(185,000)	(- -)	(185,000)
Total, Rural Telephone Bank	30,000	- -	30,000
Rural Communication Development Fund:			
Reimbursement for Losses	1,196	- -	1,196
Salaries and Expenses	30,804	-32	30,772
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses	100,000	- -	100,000
Total, REA	162,000	-32	161,968
Soil Conservation Service:			
Conservation Operations	363,267	+693	363,960
River Basin Surveys and Investigations	14,817	-14	14,803
Watershed Planning	8,868	-7	8,861
Watershed and Flood Prevention Operations	230,692	-72	230,620
Resource Conservation and Development	26,162	-17	26,145
Great Plains Conservation Program	21,402	-8	21,394
Total, SCS	665,208	+575	665,783
Food and Nutrition Service:			
Child Nutrition Programs	601,599	- -	601,599
Transfer from Section 32	(3,271,592)	(- -)	(3,271,592)
Total, Child Nutrition Programs	(3,873,191)	(- -)	(3,873,191)
Special Milk Program	11,500	- -	11,500
Women, Infants and Children (WIC)	1,560,580	- -	1,560,580
Commodity Supplemental Food Program (CSFP)	36,777	- -	36,777
Food Stamp Program	11,820,221	- -	11,820,221
Transfer to Extension Service	-38,627	- -	-38,627
Transfer to Office of the Inspector General	-15,924	- -	-15,924
Transfer to Office of the General Counsel	-786	- -	-786
Total, Food Stamp Program	11,764,884	- -	11,764,884
Nutrition Assistance for Puerto Rico	820,050	- -	820,050
Food Donations Programs	193,405	- -	193,405
Food Program Administration	82,007	-82	81,925
Total, FNS	15,070,802	-82	15,070,720
Human Nutrition Information Service	13,481	-12	13,469
Foreign Agricultural Service	83,046	-43	83,003
The General Sales Manager:			
Transfer from Commodity Credit Corp.	(6,089)	(- -)	(6,089)
Office of International Cooperation and Development:			
Salaries and Expenses	5,384	-21	5,363
Scientific Activities Overseas (Foreign Currency Program)	2,982	- -	2,982
Total, OICD	8,366	-21	8,345

Agency or Item	1986 Appropriations	Adjustments -- Transfers in the Estimates	1986 Appropriations Adjusted
Public Law 480:			
Sale of agricultural commodities for convertible foreign currencies and for dollars on credit (Titles I and III)	653,058	- -	653,058
Commodities supplied in connection with dispositions abroad (Title II)	646,100	- -	646,100
Total, P. L. 480	1,299,158	- -	1,299,158
Total, Above Programs (Direct Appropriations)	24,258,699	+1,684	24,260,383
Forest Service:			
Forest Research	125,525	- -	125,525
State and Private Forestry	57,638	- -	57,638
National Forest System	1,048,301	+28,316	1,076,617
Land acquisition	28,130	- -	28,130
Construction	222,522	- -	222,522
Acquisition of lands for national forests, special acts	777	- -	777
Acquisition of lands to complete land exchanges	20	- -	20
Range betterment fund	3,798	- -	3,798
Miscellaneous Contributed Funds	89	- -	89
Total, FS	1,486,800	+28,316	1,515,116
Total, Above Items	25,745,499	+30,000	25,775,499
PERMANENT APPROPRIATIONS - FEDERAL FUNDS:			
Cooperative State Research Service	2,800	- -	2,800
Agricultural Marketing Service:			
Perishable Agricultural Commodities Act Fund	3,356	- -	3,356
Funds for Strengthening Markets, Income and Supply (Section 32)	376,723	- -	376,723
Commodity Credit Corporation	5,319,558	- -	5,319,558
Authority to Borrow	17,078,774	- -	17,078,774
Farmers Home Administration:			
Rural Housing Insurance Fund	668,676	- -	668,676
Agricultural Credit Insurance Fund	1,004,275	- -	1,004,275
Rural Development Insurance Fund	256,822	- -	256,822
Rural Electrification Administration:			
Rural Telephone Bank	109,463	- -	109,463
Rural Communication Development Fund	452	- -	452
Food and Nutrition Service:			
Child Nutrition Program	3,271,592	- -	3,271,592
Total, Permanent Appropriations (Excluding Forest Service)	28,092,491	--	28,092,491
Forest Service	379,657	- -	379,657
Total, Permanent Appropriations - Federal Funds	28,472,148	- -	28,472,148

Agency or Item	1986 Appropriations	Adjustments -- Transfers in the Estimates	1986 Appropriations Adjusted
PERMANENT APPROPRIATIONS - TRUST FUNDS:			
Office of the Secretary	147	- -	147
Agricultural Research Service	2,000	- -	2,000
Animal and Plant Health Inspection Service	4,735	- -	4,735
Food Safety and Inspection Service	825	- -	825
Statistical Reporting Service	160	- -	160
Agricultural Marketing Service	78,378	- -	78,378
Soil Conservation Service	560	- -	560
Office of International Cooperation and Development	3,257	- -	3,257
Total, Permanent Appropriations - Trust Funds (excluding Forest Service)	90,062	- -	90,062
Forest Service	185,091	-30,000	155,091
Total, Permanent Appropriations - Trust Funds	275,153	-30,000	245,153
SUPPLEMENTALS:			
Commodity Credit Corporation:			
Transfer to ASCS - Salaries and Expenses.	71,598	- -	71,598
Reimbursement for Net Realized Losses	7,950,000	- -	7,950,000
Portion Applied to Debt Reduction	-7,950,000	- -	-7,950,000
Forest Service:			
National Forest System	165,700	- -	165,700
Total, Supplementals	237,298	- -	237,298
PROPOSED RESCISSIONS:			
Agricultural Stabilization and Conservation Service:			
Dairy Indemnity Program	-95	- -	-95
Agricultural Conservation Program	-140,839	- -	-140,839
Water Bank Program	-8,371	- -	-8,371
Farmers Home Administration:			
Rural Housing Insurance Fund	-351,476	- -	-351,476
Rural Electrification Administration:			
Rural Electrification and Telephone Revolving Fund:			
Reimbursement for Losses	-100,000	- -	-100,000
Purchase of Rural Telephone Bank Capital Stock	-28,710	- -	-28,710
Soil Conservation Service:			
Watershed and Flood Prevention Op.	-60,401	- -	-60,401
Great Plains Conservation Program	-6,606	- -	-6,606
Food and Nutrition Service:			
Cash and Commodities for Selected Groups.	-5,183	- -	-5,183
Total, Proposed Rescissions	-701,681	- -	-701,681
OFFSETTING RECEIPTS	-1,293,868	- -	-1,293,868
TOTAL, United States Department of Agriculture	52,734,549	- -	52,734,549
FFB PROGRAMS			
Farmers Home Administration	3,039,108	- -	3,039,108
Rural Electrification Administration	2,346,800	- -	2,346,800
Total	5,385,908	- -	5,385,908
GRAND TOTAL, USDA Programs	58,120,457	- -	58,120,457

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 3—Statement of Increases and Decreases in Budget Authority, 1987 Budget Estimates Compared with 1986 Estimates (Dollars in Thousands)

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
OFFICE OF THE SECRETARY:			
Program and policy direction and coordination:			
Office of the Secretary	1,723	1,790	67
Under/Assistant Secretaries	3,981	3,748	-233
TOTAL, Office of the Secretary	5,704	5,538	-166
DEPARTMENTAL ADMINISTRATION:			
Budget and Program Analysis	3,773	3,732	-41
Personnel	4,945	4,880	-65
Finance and Management	3,527	3,437	-90
Operations	2,466	2,381	-85
Information Resources Management	4,093	3,778	-315
Advocacy & Enterprise	2,432	2,826	394
Administrative Law Judges & Judicial Officer	839	886	47
TOTAL, Departmental Administration	22,075	21,920	-155
WORKING CAPITAL FUND	5,964	6,000	36
RENTAL PAYMENTS & BUILDING OPERATIONS:			
Rental Payments	51,013	57,380	6,367
Building Operations	17,693	18,800	1,107
TOTAL, Rental Payments & Bldg. Oper.	68,706	76,180	7,474
ADVISORY COMMITTEES	1,315	1,323	8
OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS:			
Public Affairs	7,696	7,624	-72
Congressional Relations	492	486	-6
Intergovernmental Affairs	464	460	-4
TOTAL, Office of Governmental and Public Affairs	8,652	8,570	-82
OFFICE OF THE INSPECTOR GENERAL:			
Audits and investigations	46,460	46,321	-139
OFFICE OF THE GENERAL COUNSEL:			
Legal Services	17,588	17,430	-158
FEDERAL GRAIN INSPECTION SERVICE:			
Standardization and compliance activities	6,998	6,979	-19
AGRICULTURAL RESEARCH SERVICE:			
Research on soil & water conservation	62,078	62,078	0
Research on plant productivity	193,054	196,546	3,492
Research on animal productivity	91,720	91,720	0
Research on community conversions and delivery	93,027	103,027	10,000
Human nutrition and research	39,459	39,459	0
Integration of agricultural systems	8,203	8,203	0

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
AGRICULTURAL RESEARCH SERVICE (Cont'd):			
Repair & Maintenance of facilities	11,026	11,026	0
Contingency research fund	994	994	0
Subtotal, Agricultural Research Service	499,561	513,053	13,492
Buildings and Facilities:			
School of Veterinary Medicine at Tuskegee Institute, Tuskegee, AL	596	0	-596
Germplasm collection facility, Aberdeen, ID	2,684	0	-2,684
Agricultural Science & Industry Facility, Penn State University, University Park, PA	50	0	-50
Research Facility at University of Illinois, Urbana, IL	2,982	0	-2,982
Subtotal, Buildings and Facilities	6,312	0	-6,312
TOTAL, Agricultural Research Service	505,873	513,053	7,180
COOPERATIVE STATE RESEARCH SERVICE:			
Payments under the Hatch Act	155,545	155,545	0
Cooperative forestry research	12,975	12,975	0
Payments to 1890 Colleges and Tuskegee Institute	23,333	23,333	0
Special research grants	30,324	0	-30,324
Competitive research grants	44,233	42,425	-1,808
Animal health and disease research Section 1433	5,725	0	-5,725
Federal administration (direct appro.)	1,612	150	-1,462
1890 Research Facilities	9,940	9,940	0
Higher Education	4,970	1,988	-2,982
TOTAL, Cooperative State Research Service	288,657	246,356	-42,301
EXTENSION SERVICE:			
Smith-Lever:			
For Sections 3b&c	240,035	127,547	-112,488
Section 3d:			
Pest management	7,486	0	-7,486
Farm safety	1,014	0	-1,014
Urban gardening	3,479	0	-3,479
Food and nutrition education	60,224	0	-60,224
Pesticide impact assessment	1,706	0	-1,706
Financial Management	1,491	0	-1,491
IRM	49	0	-49
Rural Development	720	0	-720
1890 Colleges and Tuskegee Institute	17,635	7,204	-10,431
Renewable Resources Extension Act	2,485	0	-2,485
Financial Management Assistance D.C. extension	977	399	-578
Fed'l administration and coordination	5,400	4,850	-550
TOTAL, Extension Service	342,701	140,000	-202,701

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
NATIONAL AGRICULTURAL LIBRARY:			
Feed Composition Database	0	61	61
All Other	11,263	11,360	97
TOTAL, National Agricultural Library	11,263	11,421	158
ANIMAL AND PLANT HEALTH INSPECTION SERVICE:			
Boll weevil..........................	3,037	652	-2,385
Golden nematode......................	1,000	897	-103
Grasshopper/Mormon cricket...........	17,891	956	-16,935
Imported fire ant....................	5,774	0	-5,774
Noxious weeds........................	784	0	-784
Pink bollworm........................	2,377	1,035	-1,342
Witchweed............................	4,695	0	-4,695
Pseudorabies.........................	2,308	0	-2,308
Brucellosis eradication..............	69,731	63,000	-6,731
Screwworm............................	33,008	28,396	-4,612
Horse Protection.....................	158	0	-158
Animal Damage Control................	19,880	10,000	-9,880
Animal welfare.......................	4,836	0	-4,836
All other............................	148,716	148,220	-496
Subtotal, Animal and Plant Health Inspection Service................	314,195	253,156	-61,039
Buildings and Facilities.............	4,236	2,347	-1,889
TOTAL, Animal and Plant Health Inspection Service................	318,431	255,503	-62,928
FOOD SAFETY AND INSPECTION SERVICE:			
Slaughter inspection.................	208,956	210,609	1,653
Processing inspection................	89,101	89,832	731
Import-export inspection.............	7,730	7,755	25
Laboratory services..................	21,109	21,220	111
Grants-to-States.....................	34,856	36,425	1,569
TOTAL, Food Safety and Inspection Service..........................	361,752	365,841	4,089
ECONOMIC RESEARCH SERVICE:			
Economic Analysis and Research........	45,958	45,475	-483
STATISTICAL REPORTING SERVICE:			
Crop Data Improvement.................	8,475	8,925	450
Improved Crop Report. Board Procedures	1,265	1,415	150
Prices Paid for building materials & marketing containers................	125	75	-50
All Other.............................	48,794	49,297	503
TOTAL, Statistical Reporting Service	58,659	59,712	1,053
AGRICULTURAL COOPERATIVE SERVICE:			
Research on agricultural cooperatives.	2,913	1,941	-972
Technical Asst. to Ag. Cooperatives ..	1,757	1,757	0
Total, Agricultural Cooperative Svc.	4,670	3,698	-972

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
WORLD AGRICULTURAL OUTLOOK BOARD:			
Global Weather Monitoring	0	67	67
LANDSAT	50	0	-50
All Other	1,613	1,613	0
TOTAL, World Agricultural Outlook Board	1,663	1,680	17
AGRICULTURAL MARKETING SERVICE:			
Marketing Services:			
Market News	14,787	15,029	242
Inspection and standardization	13,464	13,699	235
Market protection and promotion	2,019	1,314	-705
Wholesale market development	1,569	1,011	-558
Subtotal, Marketing Services	31,839	31,053	-786
Payments to States and Possessions	984	0	-984
TOTAL, Agricultural Marketing Service	32,823	31,053	-1,770
OFFICE OF TRANSPORTATION:			
Salaries and Expenses	2,445	1,233	-1,212
PACKERS AND STOCKYARDS ADMINISTRATION:			
Administration of Packers and Stockyards Act	9,133	9,093	-40
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:			
Program formulation and appraisal.	14,751	15,444	693
Operation of supply adjustment, conservation and price support program	344,600	358,960	14,360
Inventory management	41,272	42,992	1,720
Warehouse examination	251	0	-251
Total, Salaries and Expenses	400,874	417,396	16,522
Portion to be financed through transfers from CCC	-400,821	-417,396	-16,575
Subtotal, Direct Appropr. Salaries and Expenses	53	0	-53
Dairy Indemnity Program	99	0	-99
Agricultural Conservation Program.	188,860	0	-188,860
Forestry Incentives Program	12,425	0	-12,425
Water Bank Program	8,747	0	-8,747
TOTAL, Agricultural Stabilization and Conservation Service	210,184	0	-210,184
FEDERAL CROP INSURANCE CORPORATION:			
Administrative and Operating Expenses.	218,886	239,885	20,999
Federal Crop Insurance Corp. Fund Premium subsidy	134,190	135,743	1,553
TOTAL, Federal Crop Insurance Corporation	353,076	375,628	22,552

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
COMMODITY CREDIT CORPORATION:			
Temporary Emergency Food Assistance Program..............................	49,700	0	-49,700
Commodity Credit Corporation Fund:			
Reimburs. for Net Realized Losses...	13,140,069	16,808,806	3,668,737
Portion Applied to Debt Reduction...	-13,140,069	-16,710,412	-3,570,343
Portion Applied to Liquidate Contract Authority................	0	-98,394	-98,394
Total, Commodity Credit Corporation Fund................	0	0	0
TOTAL, Commodity Credit Corporation.	49,700	0	-49,700
OFFICE OF RURAL DEVELOPMENT POLICY:			
Salaries and Expenses.................	407	0	-407
FARMERS HOME ADMINISTRATION:			
Rural Housing Insurance Fund:			
Loan Levels:			
Direct loans......................	(15,000)	(—)	0
Insured loans.....................	(2,112,600)	(—)	0
Reimbursement for losses...........	1,832,863	2,714,566	881,703
Reimbursement for Rural Rental Assistance Payments..............	163,420	151,868	-11,552
Total, Rural Housing Insurance Fund............................	1,996,283	2,866,434	870,151
Self-Help Housing Land Development Fund................................	0	0	0
Agricultural Credit Insurance Fund:			
Loan levels:			
Real estate loans.................	(692,000)	(548,000)	(-144,000)
Operating loans...................	(3,312,000)	(3,452,000)	(140,000)
Soil Conservation loans...........	(16,000)	(—)	(-16,000)
Emergency loans (disaster)........	(1,300,000)	(700,000)	(-600,000)
Reimbursement for losses...........	1,063,403	2,440,203	1,356,800
Total, Agricultural Credit Insurance Fund..................	1,083,403	2,440,203	1,356,800
Rural Development Insurance Fund:			
Loan levels:			
Water and waste disposal loans....	(340,000)	(—)	0
Busines & Industrial loans........	(100,000)	(—)	0
Community facility loans..........	(100,000)	(—)	0
Reimbursement for losses...........	556,645	736,619	179,974
Total, Rural Development Insurance Fund..................	556,645	736,619	179,974
Rural Water and Waste Disposal Grants:			
Water supply........................	70,900	0	-70,900
Waste disposal......................	35,410	0	-35,410
Combination-water and waste disposal	8,000	0	-8,000
Total, Rural Water and Waste Disposal Grants.................	114,310	0	-114,310

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
FARMERS HOME ADMINISTRATION (Cont'd):			
Very Low-Income Housing Repair Grants.	12,425	0	-12,425
Rural Housing for Domestic Farm Labor.	9,940	0	-9,940
Mutual and Self-Help Housing..........	7,952	0	-7,952
Rural Community Fire Protection Grants	3,230	0	-3,230
Rural Rental Assistance Payments......	0	0	0
Rural Rental Assistance Payments, RHIF	(167,513)	(—)	(-167,513)
Total, Rural Rental Assistance Payments..........................	(167,513)	(—)	(-167,513)
Compensation for Construction Defects.	745	0	-745
Rural Housing Preservation Grants.....	20,000	0	-20,000
Salaries and Expenses:			
Decreased staff-years related to the appropriation.................	0	-19,100	-19,100
Increased relocation costs..........	0	1,397	1,397
Increased operative costs related to automation and program servicing contracts.........................	0	23,316	23,316
Increase for inflation.............	0	4,279	4,279
Increase in rate of pay for county committee members.................	0	600	600
All other expenses for adm. of grant and direct and insured loan programs..........................	376,147	376,147	0
Subtotal, Salaries and Expenses...	376,147	386,639	10,492
Transfer from loan accounts..........	-4,000	-4,000	0
Total, Direct Appropriation, Salaries and Expenses............	372,147	382,639	10,492
TOTAL, Farmers Home Administration................	4,177,080	6,425,895	2,248,815
RURAL ELECTRIFICATION ADMINISTRATION:			
Rural Electrification and Telephone Revolving Fund:			
Electrification Program:			
Insured loans....................	(650,000)	(375,000)	(-275,000)
Loan guarantee commitments......	(850,000)	(225,000)	(-625,000)
Total, Electrification Program	(1,500,000)	(600,000)	(-900,000)
Telephone Program:			
Insured loans....................	(250,000)	(60,000)	(-190,000)
Loan guarantee commitments......	(125,000)	(—)	(-125,000)
Total, Telephone Program......	(375,000)	(60,000)	(-315,000)
Total, Rural Electrification and Telephone Revolving Fund	(1,875,000)	(660,000)	(-1,215,000)
Rural Telephone Bank:			
Purchase of Capital Stock.........	30,000	0	-30,000
Loan level.........................	(185,000)	(139,000)	(-46,000)

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
RURAL ELECTRIFICATION ADMINISTRATION (Cont'd):			
Rural Communication Development Fund Reimbursement for losses..........	1,196	1,591	395
Salaries and Expenses...............	30,772	26,355	-4,417
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses............	100,000	0	-100,000
TOTAL, Rural Electrification Administration..............	161,968	27,946	-134,022
SOIL CONSERVATION SERVICE:			
Conservation Operations:			
Technical assistance................	282,729	286,036	3,307
Inventory and monitoring............	12,307	9,689	-2,618
Soil survey.........................	57,932	55,360	-2,572
Snow survey and water forecasting...	3,945	5,039	1,094
Operation of plant materials centers	4,061	4,147	86
Resource appraisal and program development.......................	2,986	1,725	-1,261
Total, Conservation Operations..	363,960	361,996	-1,964
River Basin Surveys and Investigations			
USDA cooperative studies............	10,286	7,123	-3,163
Flood plain management assistance...	2,451	1,424	-1,027
Interagency coordination and program formulation.......................	2,066	925	-1,141
Total, River Basin Surveys and Investigations................	14,803	9,472	-5,331
Watershed Planning:			
Continuation of ongoing planning efforts...........................	8,861	6,480	-2,381
Watershed and Flood Prevention Operations:			
Watershed operations authorized by Public Law 534..............	35,392	12,400	-22,992
Emergency watershed protection operations......................	44,968	1,106	-43,862
Small watersheds authorized by Public Law 566.................	150,260	54,272	-95,988
Total, Watershed and Flood Prevention Operations.......	230,620	67,778	-162,842
Resource Conservation and Development:			
Technical assistance................	17,679	11,400	-6,279
Financial assistance................	8,347	0	-8,347
Loan services.......................	119	0	-119
Total, Resource Conservation and Development.....................	26,145	11,400	-14,745

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
SOIL CONSERVATION SERVICE (Cont'd):			
Great Plains Conservation Program:			
Cost-sharing assistance...........	12,190	0	-12,190
Cost-sharing program and contract administration..................	2,945	0	-2,945
Technical assistance..............	6,259	0	-6,259
Total, Great Plains Conservation Program.......................	21,394	0	-21,394
TOTAL, Soil Conservation Service...................	665,783	457,126	-208,657
FOOD AND NUTRITION SERVICE:			
Child Nutrition Programs:			
School lunch program................	525,836	557,092	31,256
Special assistance..................	2,208,432	2,355,993	147,561
School breakfast program............	410,918	436,423	25,505
State administrative expenses.......	48,904	51,217	2,313
Summer feeding......................	121,925	132,748	10,823
Child care feeding..................	483,542	541,733	58,191
Commodity procurement...............	132,889	150,941	18,052
Nutrition studies and surveys.......	2,364	2,470	106
Nutrition education and training....	5,000	5,000	0
Total, Child Nutrition Programs...	3,939,810	4,233,617	293,807
Transfer from Section 32........	-3,271,592	-3,227,923	43,669
Subtotal, Direct Appropriation Child Nutrition Programs....	668,218	1,005,694	337,476
Proposed legislation................	-66,619	-775,281	-708,662
Total, Child Nutrition Programs...	601,599	230,413	-371,186
Special Milk Program:			
Cash payments to States...........	11,500	0	-11,500
Special Supplemental Food Programs:			
Women, infants and children.......	1,560,580	1,617,000	56,420
Commodity supplemental food prog..	36,777	38,605	1,828
Total, Special Supplemental Food Programs......................	1,597,357	1,655,605	58,248
Food Stamp Program:			
Benefit costs......................	10,738,185	10,912,190	174,005
State administration..............	915,080	972,459	57,379
Excess State error liabilities....	0	-169,139	-169,139
State anti-fraud activities.......	52,400	54,758	2,358
Other program costs...............	59,219	61,647	2,428
Subtotal, Food Stamp Program....	11,764,884	11,831,915	67,031
Proposed Legislation..............	0	-313,336	-313,336
Total, Food Stamp Program.......	11,764,884	11,518,579	-246,305
Nutrition Assistance for Puerto Rico	820,050	825,000	4,950

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
FOOD AND NUTRITION SERVICE (Cont'd):			
Cash and Commodities for Selected Groups:			
Needy Family Program:			
Commodities in lieu of food stamps	40,372	39,505	-867
Payments to distributing agencies for administration.	16,060	15,795	-265
Total, Needy Family Program	56,432	55,300	-1,132
Elderly Feeding Program	136,973	132,000	-4,973
Total, Cash and Commodities for Selected Groups	193,405	187,300	-6,105
Food Program Administration:			
Federal administration expenses	81,925	86,100	4,175
TOTAL, Food and Nutrition Service.	15,070,720	14,502,997	-567,723
HUMAN NUTRITION INFORMATION SERVICE:			
Research, analysis, and technical assistance	13,469	6,876	-6,593
FOREIGN AGRICULTURAL SERVICE:			
Foreign agricultural affairs	21,752	22,525	773
Foreign market development	49,053	37,082	-11,971
Foreign market infomation and Access	12,198	12,275	77
The General Sales Manager	(6,089)	(6,089)	0
TOTAL, Foreign Agricultural Service.	83,003	71,882	-11,121
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT:			
Salaries and Expenses:			
International scientific and technical cooperation	3,449	2,829	-620
International agricultural development	1,914	222	-1,692
Total, Salaries and Expenses	5,363	3,051	-2,312
Scientific Activities Overseas (Foreign Currency Program)	2,982	0	-2,982
TOTAL, Office of International Cooperation and Development	8,345	3,051	-5,294
PUBLIC LAW 480:			
Financing sales (Title I and III)	653,058	564,400	-88,658
Commodities donated (Title II)	646,100	600,000	-46,100
TOTAL, Public Law 480	1,299,158	1,164,400	-134,758
TOTAL, Direct Appropriation for USDA—Agricultural Bill—Existing Legislation	24,260,383	24,910,180	649,797

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
FOREST SERVICE:			
Forest Research........................	125,525	111,481	-14,044
State and Private Forestry............	57,638	24,871	-32,767
National Forest System................	1,076,617	889,488	-187,129
Construction..........................	222,522	195,197	-27,325
Acquisition of lands for national forests, special acts...............	777	966	189
Acquisition of lands to complete land exchanges...........................	20	895	875
Range Betterment Fund.................	3,798	3,800	2
Land Acquisition......................	28,130	3,206	-24,924
Miscellaneous Contributed Funds.......	89	90	1
TOTAL, Forest Service..............	1,515,116	1,229,994	-285,122
FFB PROGRAMS:			
Farmers Home Administration...........	3,400,108	165,705	-3,234,403
Rural Electrification Administration..	2,346,800	1,890,900	-455,900
TOTAL, FFB Programs.................	5,746,908	2,056,605	-3,690,303
Supplementals:			
Commodity Credit Corporation:			
Transfer to ASCS-S&E................	71,598	0	-71,598
Reimburs. for Net Realized Losses...	7,950,000	0	-7,950,000
Portion Applied to Debt Reduction...	-7,950,000	0	7,950,000
Forest Service:			
National Forest System..............	165,700	0	-165,700
TOTAL, Supplementals..............	237,298	0	-237,298
Rescissions:			
Agricultural Stabilization and Conservation Service:			
Agricultural Conservation Program.	-140,839	0	140,839
Water Bank Program................	-8,371	0	8,371
Dairy Indemnity Program...........	-95	0	95
Rural Electrification Administration:			
Reimbursement to the Rural Electrification & telephone revolving fund.............................	-100,000	0	100,000
Purchase of Telephone Bank Capital Stock.............................	-28,710	0	28,710
Farmers Home Administration:			
Rural Housing Insurance Fund........	-351,476	0	351,476
Rural Housing Insurance Fund -- FFB.	-361,000	0	361,000
Soil Conservation Service:			
Watershed & Flood Prevention........	-60,401	0	60,401
Great Plains Conservation Program...	-6,606	0	6,606
Food and Nutrition Service:			
Cash & Commodities for Selected Groups...........................	-5,183	0	5,183
TOTAL, Rescissions.............	-1,062,681	0	1,062,681

Agency or Item	1986 Estimate	1987 Estimate	Increase or Decrease
Permanent Appropriations and Trust Funds	28,717,301	20,520,035	-8,197,266
Proposed Legislation:			
Federal Grain Inspection Service......	0	-6,979	-6,979
Animal and Plant Health Inspection Service..............................	0	-20,856	-20,856
Food Safety and Inspection Service....	0	-365,841	-365,841
Agricultural Cooperative Service......	0	-3,698	-3,698
Agricultural Marketing Service:			
Marketing Services...................	0	-26,710	-26,710
Packers and Stockyards Administration.	0	-9,093	-9,093
Federal Crop Insurance Corporation:			
Adm. and Operating Expenses.........	0	-114,859	-114,859
FCIC Fund...........................	0	-20,696	-20,696
Commodity Credit Corporation..........	0	-139,786	-139,786
Rural Electrification Administration:			
Salaries & Expenses.................	0	-21,750	-21,750
Loan Purchases — FFB...............	0	-75,900	-75,900
Farmers Home Administration:			
Agricultural Credit Insur. Fund—FFB	0	-165,705	-165,705
Agricultural Credit Insurance Fund..	0	-536,875	-536,875
Forest Service:			
National Forest System..............	0	5,000	5,000
Operation & Maintenance of Recreation facilities.............	0	52,000	52,000
Permanent Appropriations............	0	-224,816	-224,816
TOTAL, Proposed Legislation.........	0	-1,676,564	-1,676,564
Receipts................................	-1,293,868	-1,249,374	44,494
TOTAL, United States Department of Agriculture..................	58,120,457	45,790,876	-12,329,581

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 4.--New Budget (Obligational) Authority by Appropriation
Fiscal Years 1978 through 1985, and Estimates for 1986 and 1987

(Note.--Amounts for 1978 through 1985 are adjusted for comparability with the appropriation structure proposed in the 1987 Budget estimates. Amounts in parentheses are not included in totals.)

(Millions of Dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
Office of the Secretary	3.9	3.9	4.0	4.5	4.1	4.7	5.2	5.3	5.7	5.5
Departmental Administration	16.8	17.1	18.9	20.2	20.6	20.8	21.3	27.8	28.0	27.9
Rental Payments and Building Operations	45.2	48.3	49.4	48.2	53.1	54.6	62.4	64.9	68.7	76.2
Advisory Committees	0.5	0.6	0.6	0.7	0.8	1.4	1.4	1.4	1.3	1.3
Office of Governmental and Public Affairs	4.8	8.0	7.9	8.9	8.5	8.1	8.3	8.7	8.7	8.6
Office of the Inspector General	19.9	21.9	25.2	27.3	26.7	28.0	29.4	29.9	30.6	46.3
Transfer from Food Stamp Program	8.6	8.9	9.4	10.0	13.6	14.8	15.4	16.4	15.9	--
Total, OIG	28.7	30.9	34.8	37.5	40.5	43.0	44.8	46.3	46.5	46.3
Office of the General Counsel	9.8	10.4	11.2	12.2	12.5	14.5	16.0	16.4	16.8	17.4
Transfer from Food Stamp Program	--	--	--	--	0.7	0.8	0.7	1.0	0.8	--
Total, OGC	9.8	10.4	11.2	12.2	13.2	15.3	16.7	17.4	17.6	17.4
Federal Grain Inspection Service:										
Salaries and Expenses	17.1	22.0	23.1	24.2	5.3	5.5	6.9	7.0	7.0	7.0
Inspection and Weighing	--	--	--	--	--	--	6.0	--	--	--
Total, FGIS	17.1	22.0	23.1	24.2	5.3	5.5	12.9	7.0	7.0	7.0
Agricultural Research Service:										
Agricultural Research	298.2	328.2	354.9	410.6	418.0	453.3	470.2	489.9	499.6	513.1
Buildings and Facilities	9.0	36.7	--	--	8.6	4.9	77.9	22.4	6.3	--
Special Fund (Reappropriation)	2.0	2.0	2.0	--	--	--	--	--	--	--
Cooperative State Research Service	157.9	174.2	185.8	200.7	220.6	244.9	252.7	304.3	288.7	246.4
Extension Service	268.8	275.0	285.1	303.5	315.3	328.6	334.3	343.7	342.7	140.0
National Agricultural Library	6.6	6.9	7.4	8.2	8.2	9.1	10.4	11.5	11.3	11.4
Animal & Plant Health Inspection Service	209.1	237.9	249.9	289.6	284.1	281.9	273.8	300.8	318.4	255.5
Food Safety and Inspection Service	266.6	277.0	288.7	294.1	315.2	328.0	338.8	364.3	361.8	365.8
Economic Research Service	32.0	33.9	35.2	38.1	38.0	39.0	44.3	47.0	46.0	45.5
Statistical Reporting Service	40.6	43.1	47.1	51.8	49.3	51.8	54.4	58.2	58.7	59.7
Agricultural Cooperative Service	3.5	3.9	3.8	4.3	4.5	4.6	4.7	4.7	4.7	3.7
World Agricultural Outlook Board	1.0	1.0	1.0	1.7	1.4	1.5	1.5	1.7	1.7	1.7
Agricultural Marketing Service:										
Marketing Services	32.4	33.9	34.4	51.1	37.3	32.5	30.5	30.8	31.8	31.0
Payments to States and Possessions	1.6	1.6	1.6	1.6	1.0	1.0	1.0	1.0	1.0	--
Funds for Strengthening Markets, Income and Supply (Section 32)	--	--	--	--	--	75.0	--	--	--	--
Total, AMS	34.0	35.5	36.0	52.7	38.3	108.5	31.5	31.8	32.8	31.0

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
Office of Transportation	1.3	1.7	1.7	2.0	2.3	2.4	2.5	2.9	2.4	1.2
Packers and Stockyards Administration	6.0	7.5	8.4	8.7	8.9	8.8	9.0	9.0	9.1	9.1
Agricultural Stabilization and Conservation Service:										
Salaries and Expenses	223.5	223.1	187.7	206.6	58.0	56.6	52.7	50.6	0.1	--
Transfer from Commodity Credit Corporation	(100.5)	(99.9)	(155.6)	(156.7)	(289.7)	(350.3)	(357.1)	(344.2)	(400.8)	(417.4)
Total, Salaries and Expenses	(324.0)	(323.2)	(343.2)	(363.1)	(347.5)	(406.7)	(409.6)	(394.8)	(400.9)	(417.4)
Dairy and Beekeeper Indemnity Programs	4.1	3.2	3.3	1.7	0.2	7.0	1.8	0.1	0.1	--
Rural Clean Water Program	--	--	50.0	20.0	--	--	--	--	--	--
Agricultural Conservation Program:										
Direct appropriation	36.6	190.0	190.0	190.0	190.0	190.0	190.0	190.0	188.9	--
Contract authority	190.0	--	--	--	--	--	--	--	--	--
Liquidation of contract authority	(165.0)	(190.0)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Total, ACP	226.6	190.0	190.0	190.0	190.0	190.0	190.0	190.0	188.9	--
Forestry Incentives Program	15.0	15.0	15.0	12.5	12.5	12.5	12.5	12.5	12.4	--
Water Bank Program	10.0	10.0	10.0	10.0	8.8	8.8	8.8	8.8	8.7	--
Emergency Conservation Program	30.0	10.0	35.0	10.0	8.8	--	19.0	--	--	--
Total, ASCS	506.6	448.3	487.8	447.3	277.7	274.3	284.2	262.0	210.2	--
Federal Crop Insurance Corporation:										
Administrative and Operating Expenses	11.0	11.0	11.0	56.4	116.2	236.0	199.9	200.4	218.9	239.9
Subscription to Capital Stock	50.0	--	--	--	250.0	150.0	50.0	--	--	--
Federal Crop Insurance Corporation Fund:										
Limitation on Administrative Expenses	(12.4)	(12.9)	(17.6)	(6.3)	(--)	(--)	(--)	(--)	(--)	(--)
Premium Subsidy and Interest Expense	--	--	--	--	57.5	143.3	109.9	273.0	134.2	135.7
Total, FCIC	61.0	11.0	11.0	56.4	423.7	529.4	360.0	473.4	353.1	375.6
Commodity Credit Corporation:										
Authority to borrow	--	5,500.0	--	--	--	--	--	--	--	--
Reimbursement for Net Realized Losses	524.3	990.0	3,056.2	3,299.9	7,043.2	16,173.5	9,673.6	12,285.8	13,140.1	16,808.8
Less portion of reimbursement applied to debt reduction	--	--	--	--	--	-16,173.5	-66.2	-12,285.8	-13,140.1	-16,710.4

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
Commodity Credit Corporation (Cont'd):										
Less portion applied to liquidate contract authority	--	--	--	--	--		-9,607.4	--	--	-98.4
Temporary Emergency Food Assistance Program	--	--	--	--	--	50.0	50.0	57.0	49.7	--
Limitation on Administrative Expenses a/	(45.8)	(50.1)	(50.7)	(52.7)	(--)	(--)	(--)	(--)	(--)	(--)
Total, Budget Authority, CCC	524.3	6,490.0	3,056.2	3,299.9	7,043.2	50.0	50.0	57.0	49.7	--
Office of Rural Development Policy:										
Salaries and Expenses	1.7	1.7	1.8	1.8	1.8	2.0	2.0	2.3	0.4	--
Rural Development Planning Grants	5.0	5.0	6.0	5.0	--	--	--	--	--	--
Farmers Home Administration:										
Rural Housing Insurance Fund:										
Loan Levels:										
Direct loans	(11.9)	(6.7)	(24.0)	(17.9)	(10.1)	(7.1)	(7.1)	(7.9)	(15.0)	(--)
Insured loans	(3,379.0)	(3,776.0)	(3,979.9)	(3,469.0)	(3,443.8)	(2,944.6)	(2,768.9)	(2,710.5)	(2,112.6)	(--)
Guaranteed loans	(900.0)	(500.0)	(500.0)	(5.7)	(--)	(--)	(--)	(--)	(--)	(--)
Reimbursement for losses	329.8	334.3	351.3	561.8	657.9	1,212.8	1,620.9	1,947.7	1,996.3	2,866.4
Total, RHIF	329.8	334.3	351.3	561.8	657.9	1,212.8	1,620.9	1,947.7	1,996.3	2,866.4
Agricultural Credit Insurance Fund:										
Reimbursement for losses	164.7	143.6	272.8	297.0	464.1	682.1	895.5	1,089.9	1,083.4	2,440.2
Real estate loans	(620.0)	(830.6)	(1,022.1)	(868.6)	(689.4)	(769.3)	(715.8)	(731.7)	(692.0)	(548.0)
Operating loans	(780.6)	(894.7)	(874.8)	(847.6)	(1,251.0)	1,7355.5)	(2,071.1)	(4,706.9)	(3,312.0)	(3,452.0)
Soil conservation loans	(12.8)	(6.7)	(11.7)	(18.9)	(1.9)	(2.0)	(0.1)	(2.7)	(16.0)	(--)
Emergency disaster loans	(3,595.2)	(2,871.6)	(4,452.4)	(5,112.3)	(2,173.4)	(565.9)	(1,650.9)	(490.9)	(1,300.0)	(700.0)
Total, ACIF	164.7	143.6	272.8	297.0	464.1	682.1	895.5	1,089.9	1,083.4	2,440.2
Rural Development Insurance Fund:										
Reimbursement for losses	75.5	107.3	91.9	143.3	180.0	336.2	477.8	560.0	556.6	736.6
Water and sewer facility loans	(750.0)	(900.0)	(700.0)	(750.0)	(375.0)	(600.0)	(270.0)	(340.0)	(340.0)	(--)
Industrial development loans	(999.0)	(1,097.4)	(1,073.8)	(652.3)	(61.2)	(81.9)	(124.3)	(61.3)	(100.0)	(--)
Community facility loans	(250.0)	(247.0)	(240.0)	(260.0)	(126.2)	(130.0)	(130.0)	(115.0)	(100.0)	(--)
Alcohol production facilities loans	(--)	(--)	(--)	(--)	(63.9)	(--)	(--)	(--)	(--)	(--)
Total, RDIF	75.5	107.3	91.9	143.3	180.0	336.2	477.8	560.0	556.6	736.6
Rural Water and Waste Disposal Grants	300.0	282.5	290.0	200.0	125.0	300.0	90.0	115.0	114.3	--
Very Low-Income Housing Repair Grants	9.0	19.0	24.0	25.0	15.0	12.5	12.5	12.5	12.4	--
Rural Housing for Domestic Farm Labor	7.5	33.0	25.0	25.0	13.7	--	4.4	--	9.9	--
Mutual and Self-Help Housing	9.0	13.5	-5.0	--	3.9	12.5	6.0	8.0	8.0	--

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
Farmers Home Administration (Cont'd):										
Self-Help Housing Land Development Fund	--	1.0	--	1.0	--	--	--	--	--	--
Rural Community Fire Protection Grants	3.5	3.5	3.5	3.5	3.2	3.2	3.2	3.2	3.2	--
Rural Housing Supervisory Assistance Grants	--	2.5	1.5	1.0	--	--	--	--	--	--
Rural Development Grants	10.0	10.0	10.0	5.0	--	--	--	--	--	--
Rural Rental Assistance Payments	--	--	--	--	--	--	49.0	52.2	--	--
Rural Rental Assistance Payments, RHIF	(348.8)	(422.9)	(393.0)	(403.0)	(398.0)	(123.7)	(62.0)	(116.0)	(167.5)	(--)
Compensation for Construction Defects	--	--	--	(0.7)	--	2.0	2.0	1.0	0.7	--
Payments on Rural Housing Preservation Grants	--	--	--	--	--	--	15.0	5.0	20.0	--
Salaries and Expenses	190.7	217.7	227.5	244.3	273.8	305.3	330.2	352.3	372.1	382.6
Transfer from loan accounts	(0.5)	(0.5)	(0.5)	(3.5)	(0.5)	(1.5)	(1.6)	(1.0)	(4.0)	(4.0)
Total, Salaries and Expenses	(191.2)	(218.2)	(228.0)	(247.8)	(274.3)	(306.8)	(331.8)	(353.3)	(376.1)	(386.6)
Total, FmHA	1,099.1	1,167.2	1,291.8	1,506.2	1,735.9	2,866.9	3,506.7	4,147.0	4,177.1	6,425.9
Rural Electrification Administration:										
Loan authorizations:										
Electrification	(3,209.1)	(6,429.7)	(6,585.1)	(5,845.0)	(5,884.6)	(4,238.3)	(4,085.0)	(2,050.0)	(1,500.0)	(600.0)
Telephone	(266.6)	(249.9)	(277.5)	(386.2)	(326.3)	(304.7)	(375.0)	(375.0)	(375.0)	(60.0)
Total, Loan authorizations	(3,475.7)	(6,679.6)	(6,862.6)	(6,231.2)	(6,210.9)	(4,543.0)	(4,460.0)	(2,425.0)	(1,875.0)	(660.0)
Rural Telephone Bank:										
Purchase of Capital Stock	(30.0)	(30.0)	(30.0)	(22.5)	(30.0)	(30.0)	30.0	30.0	30.0	--
Loan levels	(159.2)	(130.8)	(160.0)	(159.9)	(184.8)	(171.6)	(143.0)	(167.8)	(185.0)	(139.0)
Rural Communication Development Fund:										
Reimbursement for losses	--	--	--	--	--	0.1	0.4	0.8	1.2	1.6
Loan Levels:										
Insured loans	--	(3.0)	(10.0)	(17.1)	(--)	(--)	(--)	(--)	(--)	(--)
Guaranteed loans	--	(2.6)	(24.0)	(2.6)	(--)	(--)	(--)	(--)	(--)	(--)
Salaries and Expenses	22.9	24.1	25.7	27.2	29.2	29.5	29.9	30.6	30.8	26.4
Reimbursement to the Revolving Fund for interest subsidies and losses	--	--	--	--	--	--	197.9	216.0	100.0	--
Total, REA	22.9	24.1	25.7	27.2	29.2	29.6	258.2	277.4	162.0	28.0
Soil Conservation Service:										
Conservation Operations	241.8	253.8	266.4	303.6	298.7	336.8	356.0	364.6	364.0	362.0
River Basin Surveys and Investigations	15.8	15.9	15.8	17.8	15.5	16.4	15.6	14.9	14.8	9.5
Watershed Planning	12.1	11.2	10.5	10.4	8.7	8.9	8.7	8.9	8.9	6.5
Watershed and Flood Prevention Operations	267.4	167.6	182.9	190.8	194.0	307.4	195.2	183.8	230.6	67.8
Resource Conservation and Development	31.5	25.0	31.6	33.6	26.5	30.7	26.0	26.3	26.1	11.4
Great Plains Conservation Program	22.0	18.8	18.5	20.6	21.5	21.3	21.3	21.5	21.4	--
Total, SCS	589.9	491.6	525.0	576.1	564.1	720.7	621.9	621.1	665.8	457.1

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
Food and Nutrition Service:										
Child Nutrition Programs	1,486.7	1,402.0	1,348.6	1,584.0	1,082.9	1,014.3	1,251.5	1,474.9	601.5	1,005.7
Transfer from Section 32	(1,014.6)	(1,411.6)	(1,831.1)	(1,879.6)	(1,763.9)	(2,281.7)	(2,307.3)	(2,329.8)	(3,271.6)	(3,227.9)
Total, Child Nutrition Programs	(2,501.3)	(2,813.6)	(3,179.7)	(3,463.6)	(2,846.8)	(3,296.0)	(3,558.8)	(3,804.7)	(3,873.1)	(4,233.6)
Special Milk Program	155.0	142.0	156.8	118.8	28.1	20.1	11.9	17.6	11.5	--
Special Supplemental Food Program for Women, Infants and Children	247.0	569.5	758.0	927.0	934.1	1,193.3	1,400.1	1,500.0	1,560.5	1,617.0
Commodity Supplemental Food Program	--	--	--	--	--	--	--	24.9	36.8	38.6
Food Stamp Program	5,635.6	6,688.1	9,184.4	11,470.2	11,285.8	12,005.3	11,739.0	11,768.8	11,820.2	11,831.9
Transfers to OIG and OGC	-8.6	-8.9	-9.4	-10.0	-14.2	-15.6	-16.1	-17.3	-55.3	--
Total, Food Stamp Program	5,627.0	6,679.2	9,175.0	11,460.2	11,271.6	11,989.7	11,722.9	11,751.5	11,764.9	11,831.9
Cash and Commodities for Selected Groups	61.4	69.8	112.9	138.5	141.4	172.3	166.9	139.5	193.4	187.3
Food Program Administration	67.0	74.2	78.0	81.2	95.9	82.5	83.1	84.2	81.9	86.1
Nutrition Assistance for Puerto Rico	--	--	--	--	--	825.0	825.0	825.0	820.0	825.0
Total, FNS	7,644.1	8,936.7	11,629.3	14,309.7	13,554.0	15,297.2	15,461.4	15,817.5	15,070.7	15,591.6
Human Nutrition Information Service	6.4	6.8	7.4	8.5	8.5	7.8	6.1	7.5	13.5	6.9
Foreign Agricultural Service	43.5	50.8	53.7	59.9	66.9	75.0	84.0	83.6	83.0	71.9
Transfer from Commodity Credit Corporation	(3.7)	(4.1)	(4.3)	(4.7)	(5.4)	(5.6)	(5.9)	(6.0)	(6.0)	(6.0)
Total, FAS	43.5	50.8	53.7	59.9	66.9	75.0	84.0	83.6	83.0	71.9
Office of International Cooperation and Development:										
Salaries and Expenses	0.7	1.1	2.3	3.3	3.6	3.7	5.0	5.0	5.4	3.1
Scientific Activities Overseas (Foreign Currency Program)	5.7	5.7	4.5	5.0	0.2	5.0	5.0	5.0	2.9	--
Total, OICD	6.4	6.8	6.8	8.3	3.8	8.7	10.0	10.0	8.3	3.1
Public Law 480:										
Titles I and III	276.9	339.4	266.2	441.3	392.1	428.5	577.0	615.0	653.1	564.4
Title II	646.0	466.5	620.1	787.6	607.9	599.5	800.0	1,349.0	646.1	600.0
Total, P. L. 480	922.9	805.9	886.3	1,228.9	1,000.0	1,028.0	1,377.0	1,964.0	1,299.2	1,164.4
Total, Direct Appropriations-excluding Forest Service	12,897.6	20,008.4	19,648.2	23,359.4	26,566.4	22,903.6	24,098.2	25,893.9	24,260.4	25,998.8
Forest Service:										
Forest Research	90.6	95.0	95.9	108.4	112.1	107.7	108.5	113.8	125.5	111.5
State and Private Forestry	80.4	80.6	73.6	74.2	65.5	62.8	60.6	58.3	57.6	24.9
National Forest System	803.2	829.5	968.5	1,051.9	1,048.8	1,097.0	922.5	1,139.6	1,076.6	889.5
Land Acquisition	3.2	3.5	2.0	1.7	25.0	63.1	40.1	50.5	28.1	3.2

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
Forest Service (Cont'd):										
Construction:										
Budget Authority	373.1	426.5	426.8	463.0	261.1	310.5	251.7	111.8	222.5	195.2
Liquidation of Contract Authority	(78.8)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Total, Construction	373.1	426.5	426.8	463.0	261.1	310.5	251.7	111.8	222.5	195.2
Youth Conservation Corps	60.0	60.0	54.8	--	--	--	--	--	--	--
Operation and maintenance of recreation facilities	4.1	3.5	4.7	--	--	--	--	--	--	--
Acquisition of Lands for National Forests - Special Acts	0.2	0.3	0.3	0.8	0.7	0.8	0.8	0.7	0.8	1.0
Acquisition of Lands to Complete Land Exchanges	b/	0.2	0.3	0.5	0.1	0.1	0.4	b/	b/	0.9
Range Betterment Fund	5.2	5.4	5.6	6.9	6.6	5.4	4.0	4.0	3.8	3.8
Total, Forest Service	1,420.3	1,504.8	1,632.8	1,707.7	1,520.2	1,647.7	1,388.9	1,450.7	1,515.1	1,230.0
Total, Above Items Direct Appropriations	14,317.9	21,593.2	21,281.0	25,067.1	28,086.6	24,551.3	25,487.1	27,342.9	25,775.5	27,228.8
PERMANENT APPROPRIATIONS - FEDERAL FUNDS:										
Other than Forest Service:										
Cooperative State Research Service:										
Higher education (Morrill-Nelson)	2.7	2.7	2.7	2.7	2.8	2.9	2.8	2.8	2.8	--
Agricultural Marketing Service:										
Funds for Strengthening Markets, Income, & Supply (Section 32)	1,375.2	1,630.3	2,137.8	2,262.6	2,226.6	2,682.1	2,663.2	2,817.1	3,648.3	3,648.0
Marketing Services	4.0	4.5	4.4	--	--	--	--	--	--	--
Perishable Agricultural Commodities Act Fund	1.7	1.7	2.4	2.5	2.7	3.7	2.9	3.4	3.4	3.4
Commodity Credit Corporation:										
Authority to Borrow	--	--	--	872.9	7,685.9	19,013.3	66.2	11,448.9	17,078.8	15,536.8
Contract Authority (Indefinite)	--	--	--	--	1,292.2	8,315.2	--	3,611.1	5,210.2	--
National Wool Act	10.4	33.0	39.4	34.5	42.1	53.9	93.6	132.0	109.3	118.6
Farmers Home Administration:										
Agricultural Credit Insurance Fund (Net borrowings from Treasury)	343.8	988.9	62.3	276.1	174.7	623.5	1,621.2	1,890.9	1,004.3	394.0
Rural Housing Insurance Fund:										
Net borrowings from Treasury	338.4	454.7	1,928.7	32.2	1,345.6	887.1	982.7	574.1	668.8	--
Payments of sales insufficiencies	0.7	0.5	--	--	--	--	--	--	--	--
Rural Development Insurance Fund	375.0	400.1	--	74.1	--	405.6	229.2	159.8	256.8	--

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
PERMANENT APPROPRIATIONS - FEDERAL FUNDS Continued:										
Rural Electrification Administration:										
Rural Communication Development Fund	--	--	10.0	17.2	0.4	0.8	0.8	--	0.4	--
Rural Electrification and Telephone Revolving Fund c/	(--)	(--)	(--)	(33.9)	(0.5)	(260.5)	323.9	152.5	--	--
Rural Telephone Bank c/	(104.7)	(75.9)	(95.7)	(104.0)	(128.8)	(113.9)	75.0	95.6	109.5	56.4
Forest Service	355.1	408.8	468.7	432.5	365.4	296.8	337.7	393.6	379.7	445.1
Total, Permanent Appropriations - Federal Funds	2,807.1	3,924.8	4,656.4	4,007.3	13,138.4	32,284.9	6,399.2	2',281.9	28,472.2	20,202.9
PERMANENT APPROPRIATIONS - TRUST FUNDS:										
Other than Forest Service:										
Agricultural Research Service	1.6	1.8	1.0	2.4	1.4	1.7	0.7	1.5	2.0	2.0
Animal and Plant Health Inspection Service	1.0	1.9	1.9	1.2	3.8	3.3	4.1	5.1	4.7	4.7
Agricultural Marketing Service	47.9	48.6	56.3	63.3	60.2	88.6	69.3	79.2	78.4	78.4
Food Safety and Inspection Service	1.5	0.7	0.2	0.5	0.7	0.7	0.8	0.7	0.8	0.8
Soil Conservation Service	0.9	0.9	1.2	0.8	1.1	10.9	0.6	0.4	0.6	0.6
Office of International Cooperation and Development	0.2	1.4	4.8	9.8	6.6	8.9	4.7	4.8	3.2	3.3
Other Agencies	0.1	0.1	0.1	0.1	0.2	0.2	0.4	0.4	0.4	0.3
Subtotal	53.2	55.4	65.5	78.2	74.0	114.3	80.6	92.1	90.1	90.1
Forest Service	89.3	140.1	146.6	153.5	105.9	320.0	265.9	272.1	155.1	227.7
Total, Permanent Appropriations - Trust Funds	142.5	195.5	212.1	231.7	179.9	434.3	346.5	364.2	245.2	317.8
Proposed Legislation:										
Federal Grain Inspection Service:										
Salaries and Expenses	--	--	--	--	--	--	--	--	--	-7.0
Animal and Plant Health Inspection Service:										
Salaries and Expenses	--	--	--	--	--	--	--	--	--	-20.9
Rural Electrification Adminisration:										
Salaries and Expenses	--	--	--	--	--	--	--	--	--	-21.7
Farmers Home Administration:										
Agriculture Credit Insurance Fund	--	--	--	--	--	--	--	--	--	-536.9

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
Proposed Legislation: (Cont'd):										
Food Safety and Inspection Service:										
Salaries and Expenses	--	--	--	--	--	--	--	--	--	-365.8
Agricultural Cooperative Service:										
Salaries and Expenses	--	--	--	--	--	--	--	--	--	-3.7
Agricultural Marketing Serivce:										
Marketing Services	--	--	--	--	--	--	--	--	--	-26.7
Packers and Stockyards Administration	--	--	--	--	--	--	--	--	--	-9.1
Federal Crop Insurance Corporation:										
Administrative and operating expenses	--	--	--	--	--	--	--	--	--	-114.9
Federal Crop Insurance Corporation Fund	--	--	--	--	--	--	--	--	--	-20.7
Commodity Credit Corporation	--	--	--	--	--	--	--	--	--	-139.8
Food and Nutrition Services:										
Food Stamps	--	--	--	--	--	--	--	--	--	-313.3
Child and Nutrition Programs	--	--	--	--	--	--	--	--	--	-775.3
Forest Service:										
National Forest System	--	--	--	--	--	--	--	--	--	+5.0
Operation and Maintenance of Recreation facilities	--	--	--	--	--	--	--	--	--	-224.8
Permanent Appropriations	--	--	--	--	--	--	--	--	--	+52.0
Total, Proposed Legislation	--	--	--	--	--	--	--	--	--	-2,523.6
Supplementals Under Existing Legislation:										
Commodity Credit Corporation	--	--	--	--	--	--	--	--	+71.6	--
Reimbursement for Net Realized Losses	--	--	--	--	--	--	--	--	7,950.0	--
Portion Applied to Debt Reduction	--	--	--	--	--	--	--	--	-7,950.0	--
Total, Supplementals Under Existing Legislation	--	--	--	--	--	--	--	--	+71.6	--
Proposed Rescissions:										
Agricultural Stabilization and Conservation Service:										
Dairy Indemnity Program	--	--	--	--	--	--	--	--	-0.1	--
Agricultural Conservation Programs	--	--	--	--	--	--	--	--	-140.8	--
Water Bank	--	--	--	--	--	--	--	--	-8.4	--

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est.	1987 Budget
Proposed Rescissions (Cont'd):										
Rural Electrification Administration:										
Reimbursement to revolving fund for interest subsidies and losses	--	--	--	--	--	--	--	--	-100.0	--
Purchase of Rural Telephone Bank capital stock	--	--	--	--	--	--	--	--	-28.7	--
Farmers Home Administration:										
Rural Housing Insurance Fund	--	--	--	--	--	--	--	--	-351.5	--
Soil Conservation Service:										
Watershed and Flood Prevention Operations	--	--	--	--	--	--	--	--	-60.4	--
Great Plains Conservation Program	--	--	--	--	--	--	--	--	-6.6	--
Food and Nutrition Services:										
Cash and Commodities for Selected Groups	--	--	--	--	--	--	--	--	-5.2	--
Total, Rescissions	--	--	--	--	--	--	--	--	-701.7	--
Receipts:										
Other than Forest Service	-35.9	-8.9	-161.3	-42.7	-90.1	-114.4	-80.5	-92.0	-89.9	-90.0
Forest Service	-686.5	-1,114.4	-1,087.4	-1,091.8	-721.1	-746.5	-917.3	-943.0	-1,204.0	-1,159.4
Total, Receipts	-722.4	-1,123.3	-1,248.7	-1,134.5	-811.2	-860.9	-997.8	-1,035.0	-1,293.9	-1,249.4
FFB Programs:										
Farmers Home Administration	--	--	--	--	--	--	--	11,520.0	3,039.1	--
Rural Electrification Administration ...	--	--	--	--	--	--	--	2,441.4	2,346.8	1,815.0
Subtotal	--	--	--	--	--	--	--	13,961.4	5,385.9	1,815.0
USDA, GRAND TOTAL	16,542.4	24,587.5	24,898.1	28,168.9	40,590.9	56,409.6	31,235.0	61,916.4	58,120.5	45,790.9

a/ Appropriation acts and budget estimates through 1981 provided that not less than 7 percent of the limitation shall be placed in reserves for use only as necessary to carry out program operations.

b/ Amount does not exceed $50,000.

c/ Amounts for fiscal years 1978 through 1983 are excluded from budget totals.

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 5. Outlays 1985 Actual, 1986 Estimates and 1987 Budget
(Dollars in Thousands)

Appropriation	1985 Actual	1986 Estimate	1987 Budget
Office of the Secretary.................	5,186	5,758	5,538
Departmental Administration.............	12,389	19,174	21,920
Rental Payments & Building Operations	70,009	68,237	76,180
Advisory Committees....................	1,072	1,315	1,323
Working Capital Fund.................	5,401	5,964	6,000
Total, Departmental Administration..	88,871	94,690	105,423
Office of Govt'l and Public Affairs.....	7,746	7,673	8,570
Office of the Inspector General.........	42,077	45,853	46,321
Office of the General Counsel...........	16,158	15,773	17,430
Federal Grain Inspection Service........	6,480	7,003	6,979
Inspection and Weighing Services......	-893	0	0
Total, FGIS.........................	5,587	7,003	6,979
Agricultural Research Service...........	484,533	492,162	513,632
Buildings and Facilities..............	6,389	17,696	38,758
Total, ARS..........................	490,922	509,858	552,390
Cooperative State Research Service......	243,624	284,225	253,695
Extension Service.......................	338,037	342,915	182,361
National Agricultural Library...........	10,389	11,172	11,300
Animal & Plant Health Inspection Service	297,685	314,388	253,156
Buildings and Facilities..............	3,397	5,240	4,416
Total, APHIS........................	301,082	319,628	257,572
Economic Research Service...............	45,107	46,682	45,680
Statistical Reporting Service...........	56,525	58,664	59,573
World Agricultural Outlook Board........	1,608	1,664	1,674
Agricultural Cooperative Service........	4,323	4,685	3,698
Food Safety and Inspection Service......	359,040	362,079	365,841
Agricultural Marketing Service:			
Marketing Services....................	21,970	34,887	31,053
Payments to States and Possessions....	960	1,828	0
Total, AMS..........................	22,930	36,715	31,053
Office of Transportation................	2,548	2,451	1,233
Packers and Stockyards Administration...	8,656	9,146	9,093

Appropriation	1985 Actual	1986 Estimate	1987 Budget
Agricultural Stabilization and Conservation Service:			
Salaries and Expenses	70,836	21,216	3,797
Rural Clean Water Program	6,660	9,000	8,000
Agricultural Conservation Program	181,757	206,000	124,000
Water Bank Act Program	9,836	10,000	8,300
Emergency Conservation Program	11,415	10,000	2,310
Dairy Indemnity Program	33	116	0
Forestry Incentives Program	12,478	13,600	7,800
Total, ASCS	293,015	269,932	154,207
Federal Crop Insurance Corporation:			
Administrative Operating Expenses	203,691	219,026	239,885
Federal Crop Insurance Corp. Fund	301,926	343,262	134,000
Total, FCIC	505,617	562,288	373,885
Commodity Credit Corporation	17,683,196	20,690,794	16,735,017
Temporary Emergency Food Assistance Program	49,796	51,734	15,654
Office of Rural Development Policy:			
Salaries and Expenses	1,612	1,169	0
Farmers Home Administration:			
Rural Housing Insurance Fund	2,385,364	2,941,759	2,075,926
Agricultural Credit Insurance Fund	2,782,291	2,131,086	2,369,574
Rural Development Insurance Fund	724,014	761,751	1,001,168
Rural Development Loan Fund	-471	-400	-424
Rural Water and Waste Disposal Grants.	175,882	183,239	162,964
Very-Low Income Housing Repair Grants.	12,035	12,128	621
Rural Rental Assistance Payments	835	10,583	17,742
Compensation for Construction Defects.	390	879	0
Mutual and Self-Help Housing	7,569	6,625	7,717
Self-Help Housing Land Developmt. Fund	-8	292	295
Rural Community Fire Protection Grants	3,073	3,441	2,339
Rural Housing Preservation Grants	0	1,000	8,000
Rural Housing for Domestic Farm Labor	2,905	10,246	11,937
Miscellaneous Expiring Appropriations.	1,283	1,695	0
Salaries and Expenses	339,554	373,314	381,955
Total, FmHA	6,434,716	6,437,638	6,039,814
Rural Electrification Administration:			
Reimbursement to the Rural Electrification and Telephone Revolving Fund for Interest Subsidies and Losses	215,964	100,000	0
Purchase of Rural Telephone Bank Capital Stock	30,000	30,000	0
Rural Communication Development Fund	5,668	3,654	3,292
Salaries and Expenses	27,404	31,614	26,517
Total, REA	279,036	165,268	29,809

Appropriation	1985 Actual	1986 Estimate	1987 Budget
Soil Conservation Service:			
Conservation Operations	367,884	361,681	361,469
River Basin Surveys and Investigations	15,361	15,220	9,794
Watershed Planning	8,515	9,777	6,623
Watershed and Flood Prevention Oper...	248,904	243,487	216,592
Great Plains Conservation Program	20,954	21,518	11,854
Resource Conservation and Development.	27,050	27,796	22,849
Total, SCS	688,668	679,479	629,181
Food and Nutrition Service:			
Food Program Administration	83,238	82,704	85,750
Food Stamp Program	11,701,174	11,737,366	11,819,749
Nutrition Assistance for Puerto Rico..	824,564	820,366	825,000
Special Milk Program	15,993	13,890	4,232
Child Nutrition Programs	3,664,561	3,866,689	4,197,574
Women, Infants and Children Programs .	1,494,735	1,581,295	1,612,525
Commodity Supplemental Food Programs .	43,162	37,178	38,577
Cash & Commodities for Selected Groups	166,718	209,518	179,421
Total, FNS	17,994,145	18,349,006	18,762,828
Human Nutrition Information Service	7,182	10,882	6,876
Foreign Agricultural Service	76,265	83,242	71,882
Salaries and Expenses (Foreign Currency Program)	0	74	0
Total, FAS	76,265	83,316	71,882
Office of International Cooperation and Development:			
Salaries and Expenses	11,586	5,276	3,020
Scientific Activities Overseas (Foreign Currency Program)	4,348	6,674	5,207
Total, OICD	15,934	11,950	8,227
Public Law 480	1,715,100	1,438,931	1,164,400
Total, Items in Agriculture, Rural Development and Related Agencies Appropriations Bill	47,794,698	50,919,021	45,957,204
Forest Service:			
Forest Research	113,069	122,979	114,453
State and Private Forestry	57,483	57,761	30,133
National Forest System	1,063,174	1,080,315	914,610
Land Acquisition	42,288	40,527	31,790
Construction	273,223	240,119	208,765
Other General Appropriations	412	948	0
Acquisition of Lands for National Forests, Special Acts	544	776	947

Appropriation	1985 Actual	1986 Estimate	1987 Budget
Forest Service (Cont'd):			
Acquisition of Lands to Complete Land Exchanges..........................	6	20	895
Range Betterment Fund................	3,920	3,832	3,800
Working Capital Fund.................	-17,584	0	0
Total, Forest Service Items in Interior and Related Agencies Appropriations Bill.................	1,536,535	1,547,277	1,305,393
Permanent Appropriations—Federal Funds:			
Other than Forest Service:			
Cooperative State Research Service..	2,800	2,800	0
Funds for Strengthening Markets, Income & Supply (Section 32), AMS	476,285	386,974	360,147
Perishable Agricultural Commodities Act Fund, AMS.....................	3,497	3,356	3,356
Rural Electrification Administration			
Rural Electrification & Telephone Revolving Fund..................	1,439	0	0
Rural Telephone Bank..............	-7,660	36,583	-20,622
Total, Other than Forest Service	476,361	429,713	342,881
Forest Service........................	341,847	383,040	450,235
Total, Permanent Appropriations.....	818,208	812,753	793,116
Trust Funds:			
Other than Forest Service.............	110,665	99,496	91,420
Forest Service........................	363,703	202,008	220,962
Total, Trust Funds..................	474,368	301,504	312,382
FFB Programs:			
Farmers Home Administration...........	4,658,000	2,120,108	-369,295
Rural Electrification Administration..	1,275,963	1,046,800	1,390,900
Total, FFB Programs.................	5,933,963	3,166,908	1,021,605
PROPOSED SUPPLEMENTALS:			
Commodity Credit Corporation..........	0	71,598	0
Forest Service:			
National Forest System..............	0	165,700	0
Total, Supplementals..............	0	237,298	0
RESCISSIONS:			
Agricultural Stabilization and Conservation Service:			
Agricultural Conservation Program...	0	-43,377	-80,452
Water Bank Program..................	0	-1,044	-862
Dairy Indemnity Program.............	0	-95	0

Appropriation	1985 Actual	1986 Estimate	1987 Budget
RESCISSIONS (Cont'd):			
Rural Electrification Service:			
Reimbursement to the Rural Electrification and Telephone Revolving Fund..............................	0	-100,000	0
Purchase of Rural Telephone Bank Capital Stock.....................	0	-28,710	0
Farmers Home Administration:			
Rural Housing Insurance Fund........	0	-16,100	-229,712
Rural Housing Insurance Fund—FFB...	0	-361,000	0
Soil Conservation Service:			
Watershed & Flood Prevention........	0	-18,120	-27,180
Great Plains Conservation Program...	0	0	-1,580
Food and Nutrition Service:			
Cash & Commodities for Selected Groups............................	0	-4,697	-486
Total, Rescissions................	0	-573,143	-340,272
PROPOSED LEGISLATION:			
Federal Grain Inspection Service:			
Salaries and Expenses...............	0	0	-6,979
Animal and Plant Health Inspection Service:			
Salaries and Expenses...............	0	0	-20,856
Food Safety and Inspection Service:			
Salaries and Expenses...............	0	0	-365,841
Agricultural Cooperative Service:			
Salaries and Expenses...............	0	0	-3,698
Agricultural Marketing Service:			
Marketing Services..................	0	0	-26,710
Funds for Strengthening Markets, Income, and Supply (Sect. 32).....	0	0	-5,937
Packers and Stockyards Administration.	0	0	-9,093
Federal Crop Insurance Corporation:			
Admin. and Operating Expenses.......	0	0	-114,859
Federal Crop Insurance Fund.........	0	0	-18,953
Forest Service:			
National Forest System..............	0	0	4,000
Permanent Appropriations............	0	0	-224,816
Operation & Maint. of facilities....	0	0	39,052
Commodity Credit Corporation..........	0	0	-139,786
Rural Electrification Administration:			
Salaries & Expenses.................	0	0	-20,030
FFB loan asset purchases............	0	0	-75,900
Farmers Home Administration:			
Agricultural Credit Insurance Fund..	0	0	-489,295
Agricultural Credit Insur. Fund—FFB	0	0	-165,705
Food and Nutrition Service:			
Food Stamp Program..................	0	-68,993	-314,770
Child Nutrition Programs............	0	0	-697,753
Total, Proposed Legislation.......	0	-68,993	-2,657,929

Appropriation	1985 Actual	1986 Estimate	1987 Budget
RECEIPTS:			
Other than Forest Service	-91,986	-89,915	-90,010
Forest Service	-943,005	-1,203,953	-1,159,364
Total, Receipts	-1,034,991	-1,293,868	-1,249,374
TOTAL, UNITED STATES DEPARTMENT OF AGRICULTURE	55,522,781	55,048,757	45,142,125

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 6. -- Budget Outlays (Expenditures) from Appropriations, REA and FmHA Loan Authorizations, and Corporation and Other Revolving Funds, Fiscal Years 1978 Through 1985 and Estimates for 1986 and 1987

(Note--Amounts reported are based on outlays for the Department of Agriculture
as shown in the Budget. Figures are adjusted for comparability
with the appropriation structure in the 1987 Budget.)

(Millions of Dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Estimate	1987 Budget
Office of the Secretary	3.1	3.6	4.6	5.2	4.3	4.9	4.5	5.2	5.8	5.5
Departmental Administration	14.6	17.7	19.0	21.4	13.2	8.6	17.0	20.8	28.3	27.9
Rental Payments and Building Operations ...	45.2	48.3	49.4	48.2	53.1	54.8	54.2	68.0	66.2	76.2
Advisory Committees	0.5	0.6	0.6	0.7	0.8	0.7	0.9	1.1	1.3	1.3
Office of Governmental and Public Affairs..	4.8	8.0	7.7	7.5	11.3	6.8	7.7	8.6	8.7	8.6
Office of the Inspector General	27.7	31.1	33.9	36.2	38.5	40.8	42.3	42.1	45.8	46.3
Office of the General Counsel	9.7	10.0	11.5	11.8	13.5	15.5	16.3	18.0	17.6	17.4
Federal Grain Inspection Service:										
Salaries and expenses	14.5	20.5	22.2	20.4	10.9	4.9	6.0	6.5	7.1	7.0
Inspection and weighing services	-3.7	-2.8	2.5	7.7	1.3	2.2	-2.6	-0.9	--	--
Agricultural Research Service:										
Agricultural research	278.0	316.7	345.5	393.4	428.1	455.4	476.1	484.3	492.1	513.6
Buildings and facilities	17.8	a/	11.0	15.7	9.1	8.0	3.9	6.4	17.7	38.8
Cooperative State Research Service	134.5	152.9	174.0	198.8	219.3	220.4	244.5	243.6	284.2	253.7
Extension Service	251.3	272.5	287.6	301.0	306.6	322.7	329.6	338.0	343.0	182.4
National Agricultural Library	5.8	7.1	7.0	7.7	8.6	6.7	10.0	10.4	11.2	11.3

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Estimate	1987 Budget
Animal and Plant Health Inspection Service	201.0	228.5	248.8	281.0	312.2	232.2	293.0	301.1	319.7	257.5
Food Safety and Inspection Service	248.9	248.3	288.0	293.8	318.3	323.2	338.4	359.0	362.1	365.8
Economic Research Service	30.6	35.9	36.0	36.7	35.6	37.0	40.9	45.1	46.7	45.7
Statistical Reporting Service	39.7	41.3	48.2	49.8	51.5	49.4	55.5	56.5	58.7	59.6
Agricultural Cooperative Service	2.7	3.5	3.7	3.0	4.4	4.5	4.1	4.3	4.6	3.6
World Agricultural Outlook Board	0.4	1.1	1.2	1.4	1.7	1.3	1.5	1.6	1.7	1.7
Agricultural Marketing Service:										
Marketing services	46.8	47.7	54.4	54.2	42.6	7.8	37.9	22.0	34.9	31.1
Payments to States and possessions	0.6	0.8	2.4	1.6	1.2	1.0	0.9	1.0	1.8	--
Office of Transportation	0.9	1.2	1.3	1.4	2.0	2.2	2.6	2.5	2.5	1.2
Packers and Stockyards Administration	5.8	6.7	8.6	8.7	7.2	8.2	8.8	8.7	9.1	9.1
Agricultural Stabilization and Conservation Service:										
Salaries and expenses	210.6	221.6	186.0	181.7	45.3	28.1	51.2	71.0	21.4	3.8
Sugar Act program	a/	a/	--	--	--	--	--	--	--	--
Rural clean water program	--	--	--	1.8	5.4	5.7	5.2	6.7	9.0	8.0
Agricultural conservation program	264.9	232.2	184.8	200.9	167.8	179.8	180.0	181.8	206.0	124.0
Water bank program	6.2	8.2	8.1	11.4	10.5	10.9	10.0	9.8	10.0	8.3
Cropland adjustment program	a/	a/	a/	--	--	--	a/	--	--	--
Emergency conservation program	15.5	23.4	22.2	15.7	4.4	9.9	15.5	11.4	10.0	2.3
Dairy indemnity programs	4.4	3.2	3.3	a/	a/	6.1	2.4	a/	0.1	--
Forestry incentives program	16.3	14.3	18.9	19.2	13.5	10.6	10.8	17.5	13.6	7.8

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Estimate	1987 Budget
Federal Crop Insurance Corporation:										
Administrative and operating expenses ...	10.3	10.7	11.1	40.7	114.5	96.7	126.4	203.6	219.0	239.9
Federal Crop Insurance Corporation fund	46.2	-19.6	26.4	-40.8	103.6	233.4	449.1	301.9	343.3	134.0
Commodity Credit Corporation:										
Price support and special activities	5,623.3	3,572.1	2,717.2	3,994.2	11,598.3	18,757.3	7,315.5	17,683.2	20,690.8	16,735.0
Temporary Emergency Food Assistance Program	--	--	--	--	--	6.7	48.7	49.8	51.7	15.7
Office of Rural Development Policy:										
Salaries and expenses	1.7	1.7	1.8	1.8	1.2	1.6	2.0	1.6	1.2	--
Rural development planning grants	--	4.3	5.2	5.2	2.9	0.8	--	--	--	--
Farmers Home Administration:										
Rural water and waste disposal grants ...	180.0	287.0	325.2	268.9	209.6	156.7	134.9	175.9	183.2	163.0
Salaries and expenses	181.4	204.1	227.3	235.4	274.1	292.7	323.9	339.0	372.8	382.0
Rural community fire protection grants ..	2.7	3.4	3.5	3.7	2.7	1.9	2.9	3.1	3.4	2.3
Rural housing for domestic farm labor ...	6.2	5.9	12.8	17.4	20.0	15.5	11.1	2.9	10.2	11.9
Mutual and self-help housing	4.5	4.9	5.6	6.7	8.1	7.1	7.6	7.6	6.6	7.7
Rural housing supervisory assistance grants	--	--	0.8	2.0	1.3	0.4	0.2	--	--	--
Very low-income housing repair grants ...	8.7	18.9	23.6	21.2	12.7	12.2	13.6	12.0	12.1	0.6
Rural rental assistance payments	--	--	--	--	--	--	--	0.8	10.6	17.7
Compensation for construction defects ...	--	--	--	--	--	0.3	0.4	0.4	0.9	--
Rural housing preservation grants	--	--	--	--	--	--	--	--	1.0	8.0
Miscellaneous expired accounts	9.9	10.8	12.3	9.0	5.6	3.6	0.8	1.3	1.7	--
Self-help housing land development fund .	0.2	a/	1.2	-0.5	-0.7	0.6	-1.0	a/	0.3	0.3
Rural housing insurance fund	449.1	183.8	1,717.0	-130.4	1,246.3	1,828.2	2,340.5	2,385.4	2,941.8	2,075.9
Agricultural credit insurance fund	653.5	1,017.2	478.2	-228.3	1,370.3	1,408.4	2,477.5	2,782.3	2,131.1	2,369.6
Rural development insurance fund	136.6	152.0	216.4	304.9	411.7	574.8	753.1	723.5	761.8	1,001.2

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Estimate	1987 Budget
Rural Electrification Administration:										
Salaries and expenses	22.5	22.9	25.4	26.9	27.5	27.3	27.8	27.4	31.6	26.5
Rural communication development fund	--	--	--	3.4	3.5	7.0	5.0	5.7	3.7	3.3
Reimbursement to revolving fund for interest subsidies and losses	--	--	--	--	--	--	197.9	216.0	100.0	--
Purchase of Rural Telephone Bank Capital Stock	--	--	--	--	--	--	30.0	30.0	30.0	--
Soil Conservation Service:										
Conservation operations	234.4	248.0	274.8	297.0	321.5	328.3	354.0	368.8	362.7	361.5
River basin surveys and investigations	16.0	13.5	16.7	17.0	15.1	15.7	15.4	15.4	15.2	9.8
Watershed planning	11.9	12.4	10.9	10.0	9.3	8.8	8.2	8.5	9.8	6.6
Watershed and flood prevention operations	172.9	226.2	218.4	203.7	195.1	190.8	218.2	248.9	243.5	216.6
Great Plains conservation program	21.7	21.3	23.8	24.1	22.6	21.3	21.0	21.0	21.5	11.9
Resource conservation and development	29.7	25.4	30.2	36.0	30.0	26.1	29.5	27.0	27.8	22.8
Food and Nutrition Service:										
Food program administration	64.1	68.2	80.3	81.8	83.4	83.0	82.3	83.2	82.7	85.8
Food stamp program	5,498.8	6,821.7	9,112.2	11,238.6	11,014.1	11,839.2	11,561.0	11,701.2	11,737.4	11,819.7
Nutrition assistance for Puerto Rico	--	--	--	--	--	814.2	814.2	824.6	820.4	825.0
Special milk program	138.6	134.1	159.3	104.4	22.9	14.9	16.0	16.0	13.9	4.2
Child nutrition programs	2,526.7	2,879.7	3,377.1	3,438.2	3,019.7	3,278.1	3,536.4	3,664.6	3,866.7	4,197.6
Special Supplemental Food Program for Women, Infants and Children	370.6	542.2	716.7	930.1	929.8	1,149.8	1,397.8	1,494.7	1,581.3	1,612.5
Commodity Supplemental Food Program	--	--	--	--	--	--	--	43.2	37.2	38.6
Cash and Commodities for Selected Groups	51.7	64.1	106.2	118.6	121.2	146.9	171.7	166.7	209.5	179.4
Human Nutrition Information Service	4.8	5.1	5.5	6.3	3.1	5.4	7.3	7.2	10.9	6.9
Foreign Agricultural Service	40.4	45.8	53.9	54.3	58.7	70.7	73.7	76.3	83.2	71.9
Salaries and expenses (Foreign currency program)	0.6	0.7	0.3	0.3	0.2	0.2	--	--	0.1	--

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Estimate	1987 Budget
Office of International Cooperation and Development	0.9	10.5	2.3	5.8	0.2	9.6	-1.3	11.6	5.3	3.0
Scientific activities overseas (Foreign currency program)	7.5	5.7	5.7	5.4	3.9	3.0	2.9	4.3	6.7	5.2
Public Law 480 Programs:										
Financing the sale of agricultural commodities for foreign currencies and for dollars on credit terms (Titles I and III)	349.4	428.6	476.9	406.5	414.1	557.0	429.6	662.5	657.0	564.4
Commodities supplied in connection with dispositions abroad (Title II)	458.8	547.3	596.5	847.3	515.3	435.0	655.8	1,052.6	781.9	600.0
Other (intragovernmental funds)	-2.7	27.6	0.5	-5.2	--	--	--	--	--	--
Trust funds	50.5	54.4	63.1	78.7	64.7	108.0	77.2	110.7	99.5	91.4
Deduct receipts from the public	-35.9	-8.9	-161.3	-42.7	-90.1	-114.4	-80.5	-92.0	-89.9	-90.0
Total, USDA Excluding Forest Service and Permanent Appropriations	19,245.1	19,655.3	23,069.9	24,632.8	34,305.8	44,491.0	35,921.4	47,816.6	50,934.1	45,960.5
Forest Service:										
Forest research	90.4	106.4	120.2	98.6	113.2	109.8	108.8	113.1	123.0	114.5
State and private forestry	69.5	81.8	92.4	50.8	67.[illegible]	66.5	56.9	57.5	57.8	30.1
National forest system	675.5	795.2	898.5	1,042.2	1,047.3	987.0	1,056.4	1,062.9	1,080.3	914.6
Land acquisition	2.8	3.4	1.4	1.7	10.9	37.3	38.4	42.3	40.5	31.2
Construction	183.3	288.6	366.6	486.2	420.8	402.2	292.2	273.2	240.1	208.8
Youth conservation corps	63.1	62.7	55.6	8.5	0.3	0.1	--	--	--	--
Other general appropriations	a/	--	a/	--	--	--	1.3	0.4	0.9	--
Acquisition of lands for national forests, special acts	0.1	0.1	a/	0.8	0.6	0.4	0.4	0.5	0.8	0.9
Acquisition of lands to complete land exchanges	--	a/	0.1	0.1	0.1	0.2	0.3	--	--	0.9
Range betterment fund	2.8	4.9	5.6	6.8	7.4	5.8	4.3	3.9	3.8	3.8
Operation and maintenance of recreation facilities	3.2	4.0	0.9	a/	--	--	--	--	--	--
Other (intragovernmental funds)	2.0	-5.2	-0.5	-1.1	11.0	-40.6	-21.9	-17.6	--	--
Forest Service trust funds	83.0	68.5	84.0	117.9	113.9	178.8	216.3	363.7	196.5	219.9
Deduct Forest Service receipts from the public	-686.5	-1,114.4	-1,087.4	-1,091.8	-721.1	-746.5	-917.3	-943.0	-1,204.0	-1,159.4
Total, Forest Service	489.5	296.3	537.7	721.0	1,073.5	1,001.3	836.4	956.9	539.7	365.3
Total, USDA, Excluding Permanent Appropriations	19,733.9	19,950.8	23,605.1	25,353.0	35,379.3	45,492.0	36,757.8	48,773.5	51,473.8	46,325.8

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Estimate	1987 Budget
Permanent Appropriations:										
Higher Education (Morrill Nelson)	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.8	--
Animal quarantine station	-0.3	0.4	0.1	--	--	--	--	--	--	--
Funds for strengthening markets, income, and supply (Section 32)	268.9	269.4	456.2	289.4	384.9	546.5	417.1	476.3	387.0	360.1
Perishable Agricultural Commodities Act fund	1.8	1.9	2.3	2.4	2.9	3.0	3.1	3.5	3.4	3.4
National Wool Act	33.0	39.4	34.5	42.1	53.9	93.6	--	--	--	--
Rural electrification and telephone loan authorizations b/	(61.9)	(-3.8)	(-29.9)	(33.7)	(-0.2)	(-1.8)	-0.7	1.4	--	--
Rural Telephone Bank b/	(112.7)	(100.7)	(157.6)	(113.7)	(78.6)	(58.6)	15.3	-7.7	36.6	-20.6
Forest Service	332.2	373.4	456.5	347.2	391.8	256.7	275.4	341.8	383.0	450.2
Total, Permanent Appropriations	638.3	687.4	952.3	684.0	836.2	902.6	713.0	818.3	817.8	793.1
Total, USDA including Forest Service and Permanents	20,372.2	20,638.2	24,557.4	26,037.0	36,215.6	46,394.9	37,470.8	49,588.8	52,286.6	47,118.7
Supplementals Under Existing Legislation:										
Commodity Credit Corporation	--	--	--	--	--	--	--	--	+71.6	--
Forest Service:										
National forest system	--	--	--	--	--	--	--	--	+165.7	--
Proposed Legislation:										
Federal Grain Inspection Service:										
Salaries and expenses	--	--	--	--	--	--	--	--	--	-7.0
Animal and Plant Health Inspection Service:										
Salaries and expenses	--	--	--	--	--	--	--	--	--	-20.9
Food Safety and Inspection Service:										
Salaries and expenses	--	--	--	--	--	--	--	--	--	-365.8
Agricultural Cooperative Service:										
Salaries and expenses	--	--	--	--	--	--	--	--	--	-3.7

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Estimate	1987 Budget
Proposed Legislation (Cont'd):										
Agricultural Marketing Service:										
Marketing Services	--	--	--	--	--	--	--	--	--	-26.7
Section 32:										
Funds for strengthening markets, income, and supply	--	--	--	--	--	--	--	--	--	-5.9
Packers and Stockyards Administration:	--	--	--	--	--	--	--	--	--	-9.1
Commodity Credit Corporation	--	--	--	--	--	--	--	--	--	-139.8
Food and Nutrition Services:										
Food Stamps	--	--	--	--	--	--	--	--	-69.0	-314.8
Child Nutrition Programs	--	--	--	--	--	--	--	--	--	-697.8
Federal Crop Insurance Corporation:										
Administrative and operating expenses	--	--	--	--	--	--	--	--	--	-114.9
FCIC Fund	--	--	--	--	--	--	--	--	--	-19.0
Rural Electrification Administration	--	--	--	--	--	--	--	--	--	-20.0
Farmers Home Administration:										
Agricultural credit insurance fund	--	--	--	--	--	--	--	--	--	-489.3
Forest Service:										
National forest system	--	--	--	--	--	--	--	--	--	+4.0
Permanent appropriation	--	--	--	--	--	--	--	--	--	-224.8
Operation and maintenance of recreation facilities	--	--	--	--	--	--	--	--	--	+39.0
Proposed Rescissions:										
Agricultural Stabilization and Conservation Service:										
Agricultural Conservation Program	--	--	--	--	--	--	--	--	-43.4	-80.4
Water Bank Program	--	--	--	--	--	--	--	--	-1.0	-0.9
Dairy indemnity program	--	--	--	--	--	--	--	--	-0.1	--
Rural Electrification Administration:										
Reimbursement to revolving fund for interest subsidies and losses	--	--	--	--	--	--	--	--	-100.0	--
Purchase of Rural Telephone Bank Capital Stock	--	--	--	--	--	--	--	--	-28.7	--
Farmers Home Administration:										
Rural Housing Insurance Fund	--	--	--	--	--	--	--	--	-16.1	-229.7
Soil Conservation Service:										
Watershed and flood prevention operations	--	--	--	--	--	--	--	--	-18.1	-27.2
Great Plains Conservation Program	--	--	--	--	--	--	--	--	--	-1.6

	1978	1979	1980	1981	1982	1983	1984	1985	1986 Estimate	1987 Budget
Proposed Rescissions (Cont'd):										
Food and Nutrition Services:										
Cash and commodities for selected groups	--	--	--	--	--	--	--	--	-4.7	-0.5
Subtotal	20,372.2	20,638.2	24,557.4	26,037.0	36,215.6	46,394.6	37,470.8	49,588.8	52,242.8	44,362.1
FFB Programs:										
Farmers Home Administration								4,658.0	1,759.1	-535.0
Rural Electrification Administration								1,276.0	1,046.8	1,315.0
Subtotal, FFB Programs								5,934.0	2,805.9	780.0
GRAND TOTAL	20,372.2	20,638.2	24,557.4	26,037.0	36,215.6	46,394.6	37,470.8	55,522.8	55,048.8	45,142.1

NOTE: Details may not add due to rounding.

a/ Less than $50,000
b/ Items in parentheses excluded by P.L. 93-32 from budget totals.

UNITED STATES DEPARTMENT OF AGRICULTURE
Table 7 - Offsetting Receipts by Agency

(In Thousands of Dollars)

Agency and Item	1985 Actual	1986 Estimate	1987 Estimate
Agricultural Research Service............	1,509	2,000	2,000
Animal and Plant Health Inspection Service................................	5,103	4,735	4,735
Food Safety and Inspection Service.......	686	825	825
Statistical Reporting Service............	209	160	160
Economic Research Service................	28	0	0
Agricultural Marketing Service...........	79,231	78,378	78,378
Soil Conservation Service................	431	560	560
Office of International Cooperation and Development..........................	4,789	3,257	3,352
Forest Service...........................	943,005	1,203,953	1,159,364
Total, Offsetting Receipts, United States Department of Agriculture...	1,034,991	1,293,868	1,249,374
Recapitulation:			
General and Special funds..............	708,380	1,048,862	961,748
Trust Funds............................	326,611	245,006	287,626
Total, Offsetting Receipts...........	1,034,991	1,293,868	1,249,374

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 8--Staff-Years, Fiscal Years 1985, 1986, and 1987

(Adjusted for Comparability)

Agency	1985	1986 Estimate	1987 Budget
SCIENCE AND EDUCATION			
Agricultural Research Service	8,112	8,100	8,160
Cooperative State Research Service	111	140	140
Extension Service	199	170	90
National Agricultural Library	160	180	180
INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS			
Agricultural Stabilization and Conservation Service	2,816	3,030	2,680
Foreign Agricultural Service	826	790	780
Office of International Cooperation and Development	200	190	179
NATURAL RESOURCES AND ENVIRONMENT			
Forest Service	39,185	40,075	36,755
Soil Conservation Service	13,612	14,177	10,000
SMALL COMMUNITY AND RURAL DEVELOPMENT			
Farmers Home Administration	12,118	12,400	11,000
Rural Electrification Administration	598	600	535
Office of Rural Development Policy	26	8	0
Federal Crop Insurance Corporation	1,196	1,100	800
FOOD AND CONSUMER SERVICES			
Human Nutrition Information Service	79	95	95
Food and Nutrition Service	2,171	2,100	2,060
MARKETING AND INSPECTION SERVICES			
Federal Grain Inspection Service	846	940	940
Animal and Plant Health Inspection Service	4,812	5,012	4,730
Food Safety and Inspection Service	9,719	9,600	9,543
Agricultural Cooperative Service	65	64	64
Agricultural Marketing Service	4,091	4,172	4,097
Office of Transportation	46	49	25
Packers and Stockyards Administration	187	185	185
ECONOMICS			
Economic Research Service	866	902	872
Statistical Reporting Service	1,125	1,106	1,090
World Agricultural Outlook Board	29	30	30
ADMINISTRATION			
Office of the Secretary	96	95	95
Departmental Administration	1,909	1,937	1,870
Office of Budget and Program Analysis	76	81	80
Office of Governmental and Public Affairs	155	157	160
Office of the Inspector General	851	880	880
Office of the General Counsel	371	385	385
TOTAL, United States Department of Agriculture	106,665	108,750	98,500

UNITED STATES DEPARTMENT OF AGRICULTURE

Table 9. Appropriations for Research & Education
Fiscal Years 1978-1987

(Millions of Dollars)

	1978	1979	1980	1981	1982	1983	1984	1985	1986 est.	1987 est.
RESEARCH :										
Agricultural Research Service	313.9	328.0	358.0	404.1	423.2	451.9	471.1	491.0	501.9	515.1
Cooperative State Research Service:										
Hatch Act	109.1	109.1	118.6	128.6	141.1	147.2	152.3	155.4	155.5	155.5
Cooperative Forestry	9.5	9.5	10.0	10.8	12.0	12.4	12.7	13.1	13.0	13.0
1890 Colleges & Tuskegee	14.1	16.4	17.8	19.3	21.5	21.8	22.8	22.8	23.3	23.3
Special Research Grants	7.2	16.3	15.2	18.2	23.1	27.8	26.5	32.0	31.5	0.0
Competitive Research Grants	15.0	15.0	15.5	16.0	16.3	17.0	17.0	46.0	44.2	42.4
Rural Development Research	1.5	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Animal Health & Disease	0.0	5.0	6.0	6.5	5.8	5.8	5.8	5.8	5.7	0.0
Direct Federal Administration	1.5	1.5	1.3	1.3	0.8	0.3	0.6	1.5	1.6	0.2
Total, CSRS	157.9	174.3	185.9	200.7	220.6	232.3	237.7	276.6	274.8	234.4
Statistical Reporting Service	5.0	5.4	5.0	7.5	7.0	7.6	8.2	8.4	8.1	8.1
Economic Research Service	26.0	28.2	26.1	39.5	39.4	38.8	44.3	46.6	46.0	45.5
Human Nutrition Information Service	6.1	6.6	7.1	8.2	8.5	7.7	6.1	7.5	12.9	6.9
Agricultural Cooperative Service	1.8	2.0	1.6	1.8	1.7	2.2	2.2	2.9	2.8	1.9
Agricultural Marketing Service	0.9	1.0	1.3	1.4	1.5	1.5	1.6	1.6	1.6	0.0
Office of Transportation	0.6	0.7	0.8	0.9	1.0	0.8	0.8	1.3	1.0	0.5
Office of Int. Coop. & Development	6.6	6.6	5.3	5.0	0.7	5.5	5.3	5.4	3.4	0.0
Federal Grain Inspection Service	0.4	0.4	0.5	0.5	0.6	0.6	0.7	1.1	1.3	1.2
Forest Service	90.6	95.0	95.9	108.4	112.1	107.7	108.7	113.8	120.1	111.5
Total, Research	609.8	648.2	687.5	778.0	816.3	856.6	886.7	956.2	973.9	925.1
EDUCATION:										
Extension Service:										
Smith-Lever 3(b&c) Formula	176.0	179.8	189.3	205.4	219.4	230.4	235.0	241.4	240.0	127.5
Other Programs	75.0	77.5	78.2	80.7	90.0	92.8	93.8	93.9	94.8	7.6
Direct Federal Admin.	6.5	6.5	6.5	6.1	6.3	5.4	5.5	5.9	5.4	4.8
Total, Extension Service	257.5	263.8	274.0	292.2	315.7	328.6	334.3	341.2	340.2	139.9
Cooperative State Research Service:										
Bankhead Jones	11.5	11.5	11.5	11.5	0.0	0.0	0.0	0.0	0.0	0.0
Morrill Nelson Act	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.8	0.0
Competitive Fellowship Grants	0.0	0.0	0.0	0.0	0.0	0.0	5.0	5.0	3.0	0.0
1890 Colleges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0
Total, CSRS	14.2	14.2	14.2	14.2	2.8	2.8	7.8	9.8	7.8	2.0
National Agricultural Library	6.6	7.0	7.3	8.2	8.2	9.1	10.4	11.5	11.3	11.4
Total, Education	278.3	285.0	295.5	314.6	326.7	340.5	352.5	362.5	359.3	153.3
Total, Research & Education	888.1	933.2	983.0	1092.6	1143.0	1197.1	1239.2	1318.7	1333.2	1078.4

SPECIAL TABLES

Mr. WHITTEN. Please provide for the record the usual tables on human nutrition, pollution research, pesticides research, and consumer protection activities.

[The tables follow:]

UNITED STATES DEPARTMENT OF AGRICULTURE

Funds Available for Pesticide Impact Assessment Program

Agency	Fiscal Year			
	FY 1985	FY 1986	1986 * Gramm Rudman Hollings	FY 1987
	(Dollars in Thousands)			
Agricultural Research Service	$787	$782	$749	$782
Cooperative State Research Service	2,069	2,057	1,968	--
Extension Service:				
Appropriated	1,716	1,706	1,633	-
EPA-pesticide applicator training	1,000	1,400	1,400	1,400
Total, ES	2,716	3,106	3,033	1,400
Economic Research Service	250	312	312	312
Forest Service	386	386	386	386
Total	6,208	6,643	6,448	2,880

* Reflects the 1986 Current Estimate reduced pursuant to the Gramm, Rudman, and Hollings Bill.

The purpose of the USDA/Land Grant National Agricultural Pesticide Impact Assessment Program (NAPIAP) is to provide objective and accurate data which define and evaluate the benefits and risks of selected pesticides. These pesticides have critical agricultural or forestry uses and are being evaluated by EPA for possible use restrictions. USDA has a responsibility under the Federal Insecticides, Fungicide and Rodenticide Act (FIFRA) to determine the agricultural need for the pesticide and the likely human health and environmental impacts.

The termination of the earmarked Cooperative State Research Service and Extension funding for NAPIAP will reduce the ability of states to obtain new data on field use of particular pesticides. The reduction is part of a substantial reduction proposed for all extension earmarked programs.

UNITED STATES DEPARTMENT OF AGRICULTURE

Estimated Funds Available for Research and Promotion on Soybeans

Agency	1985	1986	1986 * Gramm, Rudman, Hollings	1987
Agricultural Research Service	$16,779	$16,878	$16,152	$17,933
Cooperative State Research Service:				
Hatch Act..........................	5,121	5,114	4,892	5,114
Special Research Grants Program ...	832	829	793	--
Competitive Research Grants........	1,441	1,441	1,378	1,441
1890 Colleges and Tuskegee Institute......................	1,678	1,712	1,638	1,712
Total, Cooperative State Research Service	9,072	9,096	8,701	8,267
Economic Research Service	165	170	170	170
Foreign Agricultural Service	6,564	6,842	6,842	4,276
TOTAL, Soybean Research and Promotion	32,580	32,986	31,865	30,646

* Reflects 1986 Current Estimate reduced pursuant to the Gramm, Rudman, and Hollings Bill.

UNITED STATES DEPARTMENT OF AGRICULTURE

Estimated Funds Available for Research and Promotion on Cotton

	Fiscal Year			
	1985	1986	1986 * Gramm Rudman Hollings	1987
	(Dollars in Thousands)			
Research				
Agricultural Research Service:				
Research on plant production..........	$14,585	$14,637	$14,007	$15,062
Research on soil, water and air.......	1,100	1,128	1,080	1,128
Research on processing, storage, distribution, nutrition and food safety and consumer services........	8,502	8,451	8,088	8,951
Health and Safety.....................	2,684	2,668	2,553	2,668
Subtotal, Agricultural Research 1/.......................	26,871	26,884	25,728	27,809
Cooperative State Research Service				
Production research..................	3,258	3,258	3,117	2,997
Marketing and utilization research ..	877	877	839	801
Total, Cooperative State Research Service	4,135	4,135	3,956	3,778
Economic Research Service:				
Economic research and analysis 1/....	305	325	325	305
Promotion				
Agricultural Marketing Service:				
Administrative expenses to ensure that the provisions of the Cotton Research and Promotion Act are carried out..........................	92	112	105	112
Foreign Agricultural Service:				
Market development activities.........	2,049	1,988	1,988	1,261
Subtotal, Promotion.................	2,141	2,100	2,093	1,373
TOTAL, Research and Promotion....	33,452	33,444	32,102	33,265

1/ Of the total research, the following is devoted specially to reducing the cost of upland cotton.

	1985	1986	1986 * Gramm Rudman Hollings	1987
Agricultural Research Service.....	4,974	4,944	4,732	4,944
Economic Research Service.........	150	150	150	100
TOTAL	5,124	5,094	4,882	5,044

* Reflects the 1986 Current Estimate reduced pursuant to the Gramm, Rudman and Hollings Bill.

UNITED STATES DEPARTMENT OF AGRICULTURE

Estimated Obligations for Livestock Research

	Fiscal Year			
	1985	1986	1986 * Gramm Rudman Hollings	1987
	(Dollars in Thousands)			
Beef Cattle:				
Agricultural Research Service	$29,711	$29,651	$28,376	$29,651
Cooperative State Research Service	22,197	22,266	21,300	17,673
Subtotal	51,909	51,917	49,676	47,324
Dairy Cattle:				
Agricultural Research Service	22,102	22,211	21,256	22,211
Cooperative State Research Service	14,594	14,572	13,940	12,267
Subtotal	36,696	36,783	35,196	34,478
Swine:				
Agricultural Research Service	20,445	20,402	19,525	20,402
Cooperative State Research Service	11,005	11,002	10,525	8,998
Subtotal	31,450	31,404	30,050	29,400
Sheep and Wool:				
Agricultural Research Service	7,305	7,276	6,963	7,276
Cooperative State Research Service	3,912	3,910	3,740	3,234
Subtotal	11,217	11,186	10,703	10,510
Poultry:				
Agricultural Research Service	14,307	14,370	13,752	14,370
Cooperative State Research Service	11,108	11,107	10,625	9,738
Subtotal	25,415	25,477	24,377	24,108
Other Animal Research:				
Agricultural Research Service	2,379	2,401	2,298	2,401
Cooperative State Research Service	16,147	12,854	12,296	8,403
Subtotal	18,526	15,255	14,594	10,804
Total, Livestock Research:				
Agricultural Research Service	96,249	96,311	92,170	96,311
Cooperative State Research Service	78,963	75,711	72,426	60,313
TOTAL	175,212	172,022	164,596	156,624

* Reflects the 1986 Current Estimate reduced pursuant to the Gramm, Rudman and Hollings Bill.

U.S. Department of Agriculture

Human Nutrition Research, Education and Information

Human Nutrition Research
($ in Millions)

	1985	1986	1986 * Gramm Rudman Hollings	1987
ARS	36.9	39.5	37.8	39.5
CSRS	7.7	8.2	7.9	8.2
HNIS	6.0	12.2	12.8	6.2
ERS	0.7	0.7	0.7	0.7
FNS	1.4	1.5	1.5	0.9
TOTAL	52.7	62.1	60.7	55.5

Human Nutrition Education and Information

	1985	1986	1986 * Gramm Rudman Hollings	1987
ES	77.0	76.8	73.5	6.8
HNIS	0.7	0.7	0.7	0.7
FNS	55.0	57.0	57.0	54.7
FSIS	0.5	0.5	0.4	0.5
NAL	0.4	0.5	0.5	0.5
TOTAL	133.6	135.5	132.1	63.2
TOTAL, RESEARCH, EDUCATION & INFORMATION	186.3	197.6	192.8	118.7

* Reflects the 1986 Current Estimate reduced pursuant to the Gramm, Rudman and Hollings Bill.

The FY 1987 significant changes include:

Research

HNIS	Data collection for the Nationwide Food Consumption Survey (NFCS-87) will be completed with FY-86 funds. Field work and data collection for an expanded Continuing Survey of Food Intakes by Individuals in 1988 will not be undertaken as data from previous years are evaluated with those of NFCS-87.

Education and Information

ES	Termination of the $60.4 million Expanded Food and Nutrition Education Program (EFNEP) as part of the termination of all Extension earmarked programs. Extension formula funds, which give states maximum flexibility in setting program priorities are proposed at a reduced level from FY 1986.
FNS	Termination of the $5 million Nutrition Education and Training Program (NET).

USDA NUTRITION RESEARCH PROGRAM
($ in Millions)

	FY 1985 Actual	FY 1986 Estimate	1986 * Gramm Rudman Hollings	Change	FY 1987 Budget
1. Nutrient Requirements/Health Maintenance					
CSRS	3.6	3.9	3.7	+0.2	3.9
ARS	26.3	28.7	27.5	+1.2	28.7
Total	29.9	32.6	31.2	+1.4	32.6
2. Nutritional Status/Food Intake					
CSRS	2.3	2.4	2.4	- -	2.4
ARS	2.3	3.3	3.1	+0.2	3.3
HNIS	3.2	9.3	9.9	-6.6	3.3
Total	7.8	15.0	15.4	-6.4	9.0
3. Use of Food/Food Choices					
CSRS	0.2	0.2	0.2	- -	0.2
HNIS	1.1	1.1	1.1	- -	1.1
ERS	0.4	0.4	0.4	- -	0.4
Total	1.7	1.7	1.7	- -	1.7
4. Nutrient Composition/Bioavailability					
CSRS	1.6	1.7	1.6	+0.1	1.7
ARS	8.3	7.5	7.2	+0.3	7.5
HNIS	1.7	1.8	1.8	- -	1.8
Total	11.6	11.0	10.6	+0.4	11.0
5. Nutritional Impacts of Programs					
ERS	0.3	0.3	0.3	- -	0.3
FNS	1.4	1.5	1.5	-0.6	0.9
Total	1.7	1.8	1.8	-0.6	1.2
TOTALS					
CSRS	7.7	8.2	7.9	+0.3	8.2
ARS	36.9	39.5	37.8	+1.7	39.5
HNIS	6.0	12.2	12.8	-6.6	6.2
ERS	0.7	0.7	0.7	- -	0.7
FNS	1.4	1.5	1.5	-0.6	0.9
USDA Total Nutrition Research	52.7	62.1	60.7	-5.2	55.5

* Reflects the 1986 Current Estimate reduced pursuant to the Gramm, Rudman and Hollings Bill.

USDA NUTRITION EDUCATION AND INFORMATION
($ in Millions)

	FY 1985 Actual	FY 1986 Estimate	1986 * Gramm Rudman Hollings	Change	FY 1986 Budget
Extension Service					
Extension (Formula est.)	16.7	16.6	15.9	-9.1	6.8
Expanded Food and Nutrition Education Program (EFNEP)	60.3	60.2	57.6	-57.6	0.0
Total	77.0	76.8	73.5	-66.7	6.8
National Agricultural Library					
Food, Nutrition and Human Ecology Staff	0.4	0.5	0.5	- -	0.5
Human Nutrition Information Service					
Nutrition Education Division	0.7	0.7	0.7	- -	0.7
Food and Nutrition Service					
Nutrition Education & Training	5.0	5.0	5.0	-5.0	0.0
WIC (State nutrition education estimate)	50.0	52.0	52.0	+2.7	54.7
Total	55.0	57.0	57.0	-2.3	54.7
Food Safety and Inspection Service					
Nutrition Labeling	0.1	0.1	0.1	- -	0.1
Nutrition and Sodium Information	0.1	0.1	0.1	- -	0.1
Sodium Monitoring Program	0.3	0.3	0.2	+0.1	0.3
Total	0.5	0.5	0.4	+0.1	0.5
USDA Total Nutrition Education and Information	133.6	135.5	132.1	-68.9	63.2
USDA Total Nutrition Research, Education and Information	186.3	197.6	192.8	-74.1	118.7

* Reflects the 1986 Current Estimate reduced pursuant to the Gramm, Rudman and Hollings Bill.

UNITED STATES DEPARTMENT OF AGRICULTURE
Appropriation for Pest Research and Control Programs

(Dollars in Thousands)

	Fiscal Year					
	1983	1984	1985	1986	1986 * Gramm Rudman Hollings	1987
			(Dollars in Thousands)			
Agricultural Research Service:						
Non-chemical	$88,402	$93,885	$95,635	$95,896	$91,772	$95,896
Chemical	25,451	25,870	25,870	26,063	24,942	26,063
Total, ARS	113,853	119,755	121,505	121,959	116,714	121,959
Cooperative Stte Rsearch Service:						
Non-chemical	10,204	10,851	11,078	11,012	10,534	9,897
Chemical	10,026	10,001	10,184	10,123	9,684	7,941
Total, CSRS	20,230	20,852	21,262	21,135	20,218	17,838
Extension Service:						
Non-chemical	16,389	16,532	16,733	16,633	15,918	3,051
Economic Research Service:						
Non-chemcial	351	112	50	62	62	62
Chemical	584	312	281	281	281	375
Total, ERS	935	424	331	343	343	437
Animal and Plant Health Inspection Service:						
Non-chemical	143,966	146,826	159,607	155,019	148,353	118,094
Forest Service:						
Non-chemical	12,428	19,895	19,056	19,031	18,213	18,378
Chemical	8,755	2,088	2,000	2,062	1,973	1,800
Total, FS	21,183	21,983	21,056	21,093	20,186	20,178
Total, USDA:						
Non-chemical	271,740	288,101	302,159	297,653	284,852	245,378
Chemical	44,816	38,271	38,335	38,529	36,880	36,179
TOTAL, USDA	316,556	326,372	340,494	336,182	321,732	281,557

* Reflects 1986 Current Estimate reduced pursuant to the Gramm, Rudman and Hollings Bill.

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND INSPECTION SERVICE

Obligations for Meat and Poultry Inspection, Fiscal Years 1978 through 1987
(Dollars in Thousands)

Fund	1978	1979	1980	1981	1982	1983	1984	1985	1986 Est. without Gramm-Rudman	1986 Est. with Gramm-Rudman	1987 Est.
Direct Appropriation	254,043	265,044	278,502	297,431	317,266	327,711	338,612	364,635	361,752	346,183	365,841
Federal Program	(225,316)	(235,230)	(248,334)	(266,471)	(288,003)	(297,506)	(307,216)	(331,542)	(326,896)	(312,827)	(329,416)
Grants to States (including Talmadge-Aiken Act).	(28,727)	(29,814)	(30,168)	(30,960)	(29,263)	(30,205)	(31,396)	(33,093)	(34,856)	(33,356)	(36,425)
Reimbursements	26,466	31,328	32,332	32,907	33,189	33,716	35,514	38,953	39,100	37,419	39,100
Trust Funds	1,167	616	609	608	740	914	824	786	825	790	825
Total, Meat and Poultry Inspection	281,676	296,988	311,443	330,946	351,195	362,341	374,950	404,374	401,677	384,392	405,766

BCAD
1/27/86

TUESDAY, FEBRUARY 25, 1986.

FARMERS HOME ADMINISTRATION FARM CREDIT SITUATION

WITNESSES

KATHLEEN LAWRENCE, UNDER SECRETARY FOR SMALL COMMUNITY AND RURAL DEVELOPMENT

VANCE L. CLARK, ADMINISTRATOR, FARMERS HOME ADMINISTRATION

STEPHEN DEWHURST, BUDGET OFFICER

FARM CREDIT SITUATION

Mr. WHITTEN. Good afternoon, Under Secretary Lawrence and Mr. Clark. We are glad to have you with us today. We have a number of problems to discuss with you.

We welcome both of you here. We realize that you are representing the Secretary and the Under Secretary. I called the appointed Secretary, who has not been confirmed. I didn't know whether to sympathize with him or congratulate him. [Laughter.]

Looking at the history of this country, I don't think agriculture has ever been in worse shape financially than today, unless it was in the depression of the 1930's when nobody had anything.

As you know, in the last five years the national debt has increased from $1 trillion to approximately $2 trillion. Not only that, but we have spread our military forces all over the world, in the middle of many local conflicts. We have had large increases in defense carry-over funds—all of the cuts that we've had in domestic programs have been used to increase those carry-over funds. None of them have been used to reduce the budget deficit or the debt.

What is frightening to me is that the administration proposes to severely cut agriculture because we haven't got the money to meet needed expenditures due to excessive spending for other things. We've had so many bank failures—including one $40 billion bank—that now the newspapers carry stories that the Government guarantee fund that we've had for years may go broke. The newspapers are carrying story after story about the savings and loan associations. I read an article recently that 120 banks closed last year, and no improvement is in sight for this year.

The Farm Credit Administration is busy trying to save itself, but I don't see anything that they're trying to do to improve the farmer's lot.

Yesterday's paper—the Wall Street Journal, I believe—said that we have another 100 troubled banks under close observation. That leads me to say I've got a little stock in two banks; both of them in holding companies. Will Rogers was asked what a holding company was; he said, "That's a fellow you get to hold it while he searches you."

So we've got a serious situation. What bothers me is that the Department of Agriculture does not seem to be cooperating. Just about everything that was done last year to relieve the jam at the local level came after the Congress had directed it, not before.

I talked to a farmer yesterday who got his loan from FmHA last year in June; whereas planting in his area starts in January. I don't find any farmers who say that they are moving ahead this year and getting ready to farm, even where their loans are being approved.

So the reason I asked you here today is to see what FmHA is doing, how many loans have been approved, how many are pending, and what we can do to shake things loose, and at least move ahead.

Now, as I say, the overall situation facing farmers is terrible. It must have the immediate attention of the House and Senate, as well as the executive branch.

Most everybody seems to understand that if labor doesn't have any employment, we're inviting a depression, if industry is not making money, we have a depression. But nobody seems to have an awareness that if agriculture, the nation's biggest industry, goes under it may lead to the same thing.

You and others have heard me say many times that since World War II the farmers' share of the consumer dollar has gone down from 51 percent to 27 percent, while industry and labor, from whom the farmer has to buy, have increased their take of the consumer dollar from 49 percent to 73 percent. Now, I talked to people from the Farm Bureau today, I said: "I know that historically you've always said, let the Government leave us alone. But the Government is responsible for the shift of the consumer dollar to industry and labor from 49 to 73 percent. And there's no way in the world for the farmer to remain solvent and get a loan on the 27 percent that's left for him. The record shows that since 1945, farm prices have gone up only 300 percent, while farm costs have gone up 1,100 percent.

So it's because of those facts that we wish to talk to you today. I realize that neither of you have been in your present position very long, and I don't want to put anybody on the spot. But we do need to know that, with your help, we're going to go ahead and meet this farm credit problem in time for farmers to farm this year.

I repeat again that it's just unbelievable that people don't recognize what's happening to the American farmer. I recently pointed out to the President—that we had the farmer paying the cost of our foreign policy. Because of embargoes in 1973, 1974, 1975 and 1980, we wouldn't let the farmer sell. Those who bought from the farmer were reimbursed for their losses, but the farmer who produced the food and fiber at the insistence of his Government—their losses were not covered at all.

Well, we're all in this thing together. In my area, I have a lady who worked for me—her father lives right on the bank of the Mississippi River—who had land which was sold for $2,000 per acre two years ago; now it sells for $800. I have a lawyer friend; I was talking to him recently. He had land that brought $1,000 last year and now brings $250 per acre.

The thing about that is that the farmer who had plenty of collateral last year doesn't have it this year. So he and all of us are in a fix. Wherever the bogdown is we need to try to correct it.

A few years ago some Members of Congress were critized for not giving the Government their best services. I've wondered why a similar criticism isn't made when a man says, "I know the Commodity Credit Corporation was set up to bolster farm prices and exports, but I'm not going to use it". I wonder how that fits into this charge that was raised some years ago?

This is serious business, I went through the depression when you couldn't buy a sack of flour on credit in my State or many other States. Unfortunately, it looks like we're headed in the same direction, and I want to know whether your Department is willing to do anything about it.

Now, with that, I want you to tell me what the situation is in your various field offices. I find that certain restrictions are being made. Somebody was telling me today that a farmer had to show that he had at least 10 percent of the money of his own. He also said that, with the limit in the new farm bill for the price of cotton and other things, nobody can show you that they qualify for a loan.

I believe today's paper indicated that the Farm Credit System is going to cut off another 100,000 farmers. Where are they going?

Now Mr. Clark, the situation facing us is serious. We have to go to the Appropriations Committee and to the Congress, and try to get a little money for the Department to operate. Now, we are concerned about all the talk about saving money and cutting domestic programs and using the savings to increase the military carry-over, and we are concerned about the proposal to take the ceiling off the Commodity Credit Corporation so they can expend any amount of money. Can you imagine a serious budget proposal to spend anything you want, just put it under Commodity Credit with no control whatever? But that's what we have in front of us. It's a request to take the lid off on CCC spending.

Now, I have to admit that I'm involved in it somewhat because, in the Gramm-Rudman hearings, I insisted that the Commodity Credit Corporation go forward with its regular activities—to support prices and keep up exports—and that those functions not be interfered with. But that had to do only with its normal operations. ations.

But with all of this, we have a right to expect the Department to proceed expeditiously to accept applications and approve applications in time to enable farmers to farm. And if you can't, you don't need to wait until June to tell us about it.

Now, your biographical sketches will appear in the record, and I don't know in which order you wish to speak. We congratulate the New Under Secretary on her new assignment. We would be glad to hear from her first. The committee is interested in anything that goes on, anything that is pending, anything like that. I'm familiar with the rules, where you cannot testify contrary to the budget recommendations unless the Congress asks you; so without hesitation, I'm asking you. [Laughter.]

FARMERS HOME LENDING ACTIVITY

Ms. LAWRENCE. Thank you, Mr. Chairman. On behalf of Mr. Naylor, who is the Acting Secretary now, I thank you for accepting a substitute in his place and giving us this opportunity to come and explain to you and the committee where Farmers Home stands now at this point in the lending season.

As the farm bill specifically directs, Farmers Home will provide the adequate staffing at the local level to process crop loans in as timely a manner as we possibly can. Mr. Vance Clark, the Administrator of Farmers Home, will be testifying for the first time since he's been the Administrator as to the specifics of what the agency has done, intends to do, and the level of funding that is available for the rest of the year.

I would like, though, before I turn it over to Mr. Clark—and he does have a prepared statement—to let you know that prior to coming up here this afternoon, we were looking into the status of this year as compared to last year, last year having been the worst year we've had since the depression. And interestingly enough, we have found that the backlog at Farmers Home is about 13 percent behind what it was this time last year; and that, despite the rumors of very large numbers of farmers being rejected, that the rejection rate this year is less than it was last year. I think Mr. Clark can go into the specifics with you.

Demand for direct operating loans is down—down by about 20 percent. Demand for guarantees is up over 400 percent. We believe this is an indication that, at long last, the guarantee program has finally caught on, and we hope and we believe that when you couple the guarantee program with the interest buy-down provisions of the farm bill, that it will prove to be the answer for very many of our farmers this year.

So with those very short comments, let me introduce to you Vance Clark, the new Administrator of the Farmers Home Administratio. He can go into more specifics with you.

FARM LENDING ACTIVITY

Mr. WHITTEN. Thank you very much. We're glad to have you here.

Some years ago we arranged to have at our hearings a representative from the Secretary's office, to answer policy questions because that was not the responsibility of Civil Service people. So we have asked you to be here today.

Mr. Clark, we'd be glad to hear from you now. We want to know how many applications you've got? How many are pending? How many you've approved? And what the procedures are? Because many farmers are complaining that they can't get service. They can't get a decision. They have asked for your people to do that which they can't do.

Now, we'd just as well know what the situation is before we write our next bill, and we're going to have to write one soon. I hope the new Secretary will be confirmed soon; we've been friends a long time. But we've got a serious situation where politics should go out the window in the three branches of Government.

If agriculture goes under, don't think the rest of us are not going to feel it because it's the foundation of our economy. And right now, it looks like agriculture is on a sled, going downhill fast.

There isn't any excuse for you not doing the ministerial work of accepting applications, approving or disapproving them, in time for folks to farm this year. We're not going to put up again this year with what happened last year.

With that, we'd be glad to hear from you, Mr. Clark.

Mr. CLARK. Thank you, Mr. Chairman and members of the Committee. You have my prepared statement; I'd be happy to run through that.

Mr. WHITTEN. Well, we're interested in discussing the points I have brought up here.

[CLERK'S NOTE.—The full text of Mr. Clark's prepared statement appears on pages 188 through 192.]

Mr. CLARK. All right.

At present, we have about 9,800 applicants in process; that is, 9,800 that have given their applications to us that have not yet been tended to. At the present time we are in the process of reviewing approximately 19,500 applicants. We have approved but not yet closed—funds have been requested—about 6,700, which is about, unprocessed, as Ms. Lawrence said 13 percent less than last year. Our applications in-process are about 7 percent less than we had last year, and approved-not-closed are about 17 percent less than last year. So we have on hand about 36,000 applications, about 11 percent less than last year.

We think part of that decrease in volume is perhaps attributable to the advanced deficiency program. We think some of our borrowers are perhaps waiting in the wings to see what will turn up for them, how much less they might have to apply for, for support from us. So we think we're making good progress on it this year. I think we have done the necessary things in-house to plan for staffing, both overtime and temporary help, to meet some of those peak loads; and we are working with our state directors to encourage shifting human resources around the State to hot spots to help.

DEBT RESTRUCTURING

Mr. WHITTEN. You know, here is a law on the books that provides that you can forgive interest, you can forgive principal, you can rework the loan. Now, my information is that farmers have been getting letters from FmHA calling on them to pay when you knew they couldn't pay; it scares them to death. And then you tell them in a second letter to come by and see what you can work out. It strikes me that you've got it in reverse.

We've tried every way in the world to get you to go out there and see what you can do to work these things out, including the reworking of loans or the waiving of repayment. And I have studied this perhaps more than you have. When farmers have been financing our foreign policy, that's punishing the farmer so that we can punish Russia and others. That should be taken into consideration.

Months ago we asked your Department to find out how much of this farm debt was due to the Government's failure to export competitively. We haven't yet gotten that report. I'm of the opinion that Congress should require that repayment of these loans be waived until you come up with an answer as to how much of this debt is caused by Government policy over which farmers had no control.

Again, my information is that you're requiring a certain showing of ability to repay; and yet, you are the borrower of last resort. Is there anything to the fact that the borrower has to show some cash on hand or ability to go on, before you take care of the needs?

Mr. CLARK. Hopefully we're doing both, Mr. Chairman. We are, indeed, requiring it this year; we do not have special programs as were churned up last year. We are requiring this year a cash flow, a positive cash flow.

CASH FLOW

Mr. WHITTEN. What is the cash flow? What do you mean by that?

Mr. CLARK. Well, the expenses we are going to put forth to bring in a crop at least have to equal what the proceeds are projected to be.

LENDER OF LAST RESORT

Mr. WHITTEN. In other words, you have quit what the Farmers Home Administration was created to do—take care of the fellows who couldn't get help elsewhere. Now they are having to guarantee they can pay off their loan before they can get a loan. Is that your idea of your job?

Mr. CLARK. Well, I don't think that's quite right, Mr. Chairman. I don't think Farmers Home has had that mission over the years, to finance American farmers who have no way——

ENABLING LEGISLATION

Mr. WHITTEN. Have you read the articles creating it?

Mr. CLARK. Pardon?

Mr. WHITTEN. Have you read the law creating the Farmers Home Administration?

Mr. CLARK. Well——

Mr. WHITTEN. FmHA is to help the farmer when he can't get it elsewhere. It's a source of financing for those engaged in agriculture where they can't get loans anywhere else. Yet you are trying to make them show that, under the limited amount that Congress has approved in price and income levels, they can repay the FmHA loans. You're doing that?

Mr. CLARK. Well, as a prudent lender, Mr. Chairman——

Mr. WHITTEN. I'm asking you, do you do that?

Mr. CLARK. We're requiring a positive cash flow, yes.

CASH FLOW REQUIREMENT

Mr. WHITTEN. Postive cash flow. Describe that in detail again.

Mr. CLARK. Again, the producer's—the farmer's—expenses have to be covered by the income that he will generate from those crops or commodities.

Mr. **Whitten**. That income is tied down to what Congress has passed by way of the Farm Bill.

Mr. **Clark**. Could be.

Mr. **Whitten**. Well, is it?

Mr. **Clark**. Not necessarily. I mean, he's raising cattle; I don't recall anything out there that says that there are bills saying that the cattle production——

EFFECTS OF GOVERNMENT POLICY

Mr. **Whitten**. Have you made any adjustments because the Government has used agriculture to finance its foreign policy? Have you made any allowance for the fact that the Department has been holding his production off world markets?

Mr. **Clark**. Mr. Chairman, I don't think that's my mission in life or my charge, to try to attempt to do that. I march by the orders that Congress gives me.

Mr. **Whitten**. Which means that you are not doing it?

Ms. **Lawrence**. Mr. Chairman, may I interject with a point?

Mr. **Whitten**. We'd be glad to hear from you.

Ms. **Lawrence**. What Mr. Clark is saying about a positive cash flow is the policy. The difference, I think, between being the lender of last resort for a farmer who cannot get a loan elsewhere and doing that mission that the law gives the agency—that we must help farmers that can't get help elsewhere—is that we do that by giving him a reduced interest rate.

REPAYMENT ABILITY

Mr. **Whitten**. However, you've just testified—if I understand it correctly—that the borrower must show that he can repay the loan with interest, or else he gets turned down under your administration.

Mr. **Clark**. That's right, but we've got a lot of tools to help——

ACCUMULATED INDEBTEDNESS

Mr. **Whitten**. What do you do about the accumulated interest and the back payment that he has because his Government has used him to punish Russia?

Mr. **Clark**. I don't know why that happens——

Mr. **Whitten**. Do you require any payment on back interest, accumulated costs that he has been unable to pay in past years?

Mr. **Clark**. Yes, we do. But we have a program that helps defer that debt if, indeed, that's caused by circumstances beyond his control. We're willing to do some of those things.

EFFECTS OF EMBARGOS

Mr. **Whitten**. Well, circumstances are beyond his control when his Government issues an embargo where he can't sell at competitive prices—and if the price is not competitive, he can't move it unless he gives it away. Where his Government has caused his problem by holding his product off of world markets, by refusing to export at competitive prices—do you still cause him to have to pay that interest?

Mr. **Clark**. Again, we can defer that debt for five years. I think that is a big plus for that producer, no matter what the cause of his problem might be. But it is beyond his control—again, we're willing to do that. Again, I think it's a big plus this year.

Mr. **Whitten**. Well, if the lender calls on you for a loan, there are not many borrowers that can have any control where they owe the money and the other fellow has the money to loan. But is there any adjustment because of Government policy, which we have asked you many times to take into consideration?

Mr. Clark, everybody is entitled to his own view; I have the highest respect for you and your position. But if I understand it, you think you're running a bank where you've got to get your money back instead of trying to keep farmers in business because of conditions that are beyond their control.

Mr. **Clark**. We have a loan program, Mr. Chairman, not a grant program. I think if we make a loan, we expect to be paid back. I think the taxpayers demand that.

Mr. **Whitten**. Regardless of whether the borrower has been used by our Government to finance our foreign policies? You don't take that into consideration at all?

Mr. **Clark**. Well, I might not agree with you in that direction, but you said that I could disagree with you.

Mr. **Whitten**. Oh, certainly you can.

Mr. **Clark**. And I am disagreeing with you.

Mr. **Whitten**. And we are in a devil of a fix in agriculture.

Mr. **Clark**. Yes, we are, but I wasn't around to vote for it.

Mr. **Whitten**. I mean, if you're not going to help Agriculture out, I wonder if we don't really need to get somebody with a different attitude. I'm serious.

Mr. **Clark**. Well, if you want somebody to give the money away, I guess you'd better. I am making loans to collect, and I think that's what the taxpayers want.

Mr. **Whitten**. A whole lot of banks could use you in their business.

Mr. **Clark**. Well, unfortunately, mine didn't and mine is still losing money.

Mr. **Whitten**. What is your background?

Mr. **Clark**. Forty-two years of banking.

Mr. **Whitten**. That's it?

Mr. **Clark**. Pardon?

Mr. **Whitten**. I didn't understand.

Mr. **Clark**. Forty-two years of commercial agricultural banking. And I must tell you, a lot of the loans I have made over the years have gone sour for the very reasons that you're extolling. And my shareholders weren't too happy about it, either.

Mr. **Whitten**. There you were in an institution where you were supposed to look after the interests of the institution. Now you're running a court of last resort for American agriculture which is bankrupt due to the Government using agriculture to finance its foreign policy. I don't question your integrity or sincerity in your position, except you kind of strike me as being in the wrong place.

Mr. **Clark**. I've been told that before. My timing is lousy.

Mr. **Whitten**. I don't claim to be original in this. [Laughter.]

APPLICATION PROCESS

What do you have to do in the average office in handling an application? People tell me when they go to one of your offices they have so many questions raised that they don't even get to file an application.

Mr. **Clark**. Well, I think we're asking the basic credit questions. What are you going to raise? How much do you expect to get from it? How much is it going to cost you to raise that crop? How much are you worth now? And what's your debt load now? Those are not complicated credit questions. And it is, again, prudent lending to approach our applicants in that manner.

If we're going to give the money away, I think we've got to change our whole attitude.

Mr. **Whitten**. Are you trying to make up here for having made those bad loans when you were a banker?

Mr. **Clark**. I hope not.

Mr. **Whitten**. Well, have you changed your policy? In banking, you must have given a fellow another chance or he wouldn't have been able to stay in business.

Mr. **Clark**. Well, unfortunately, in commercial banking I think they made the same mistakes that we have in Farmers Home—going too far for too long.

Mr. **Whitten**. You've made up your mind that you're not going to change your present position?

Mr. **Clark**. No, sir, I'm not.

Mr. **Whitten**. Mrs. Smith?

Mrs. **Smith** of Nebraska. I want to welcome you all. Madam Under Secretary, we are glad that you are here; Mr. Vance Clark, we certainly welcome you as our new Administrator; and Steve Dewhurst, we're always glad to welcome you back.

DEMAND OF GUARANTEED LOANS

Let me ask a few specific questions. I was delighted, Mr. Administrator, to learn that the demand for guaranteed loans is up over 400 percent. Now, what I would like to know is, how is this loan program working? Are the banks willing to participate in this program? What problems are you still experiencing in working with the banks, and what actions are you taking to correct these problems?

Mr. **Clark**. Well, as my statement tells you, we've got some 2,200 banks nationwide signed up with our approved lender program, which allows them a quicker turnaround period as they submit those applications to us for guarantee—

Mrs. **Smith** of Nebraska. That is within two weeks, I understand?

Mr. **Clark**. We hope to do that within a 14 day turnaround period, if the application is clean, if we have all the information we need. Again, it's basic credit information: appraisals, cash flow, financial statements, and projections. That is a promised quick turnaround. I think we're delivering on that quite well across the nation.

Incidentally, your State has the best record of phasing in the guarantee program of any State. Nebraska is doing better than any other State, and we're very pleased about that.

What we're doing is working with the American Bankers Association, and the Independent Bankers Association of America. We've even cut some training films with ABA to help sell that program nationwide. We've also had very good cooperation from the formalized banking associations. So we're pleased that that is working that way. And we think even greater success is on the way because every day we have new banks being signed up across the nation, including the Farm Credit System. I think everybody—the bankers particularly recognize that as a very valuable program. They get a 90 percent guarantee on that application, on that loan; and now, with the interest buydown coming out, it's going to be more attractive.

LOAN SERVICING PERSONNEL

Mrs. SMITH of Nebraska. Let me say to you, Mr. Clark, that when we had to make a change in our State FHA director a couple of years ago, you sent one of the best men in the country, Mr. Vautour from New Hampshire, to take care of us temporarily. And now, we just have an excellent person that we selected in Nebraska and he is doing a great job.

But of course, if he does not have adequate loan servicing personnel, then he gets behind and there's all kinds of trouble; and then I go out there and people say, well, I have waited two months, or, I could not get the application approved, or, I'm waiting and afraid I wont get the money in time for spring planting.

What can you tell me about the funding for overtime pay? What are you doing to prevent such long delays?

Mr. CLARK. Well, we have analyzed our manpower needs, our human resource needs across the nation. We've authorized 200 additional employees across the nation, and we're pumping in about $1.5 million in overtime, which will be allocated across the nation. So I think we're beefing up, if you will, the staffs in every State, to help take care of that increased load.

Again, the state director has the authority to move people back and forth to the hot spots, the extra demands that he can fill in as well. So I think we're on the right track in that direction. We also have interagency agreements; we're looking for ASCS, SCS, as we did last year, for some help. Even some of the States have volunteered extra personnel to help us process our applications. And I think we're doing everything we can to take advantage of all the resources that are available to us.

Mrs. SMITH of Nebraska. I know you really worked on that in Nebraska last year, and we appreciate it. But people still say to me, but they delay; I went down and they weren't sure, or, I can't get an answer. Now, is that because we are having to put on new people who really do not know the answer? Is this a fair criticism?

Mr. CLARK. Well, I think there are pockets, obviously, across the nation. I can't tell you that all 10,000 of our people in the field are A-1 performers and that everything that they're doing is right. I do tell you—and incidentally, I was surprised—we keep our computers open on weekends. Would you believe last Saturday, there were some 320 entries booked to our St. Louis finance office from three different States, working Saturdays. So I'm telling you, that there's great dedication in many of our States and many of our offices, to keep on top of that backlog. So I think there's even more than that happening, that we're not aware of.

INTEREST BUYDOWN PROGRAM

Mrs. **Smith** of Nebraska. Would you comment, Mr. Clark, about the new interest rate buydown proposal that you recently announced? Do you foresee any problems with it? How do you feel farmers will benefit from this program? What type and category of people are going to be eligible to participate?

Mr. **Clark**. I brought along exhibit A, our operating loan instructions; it's published in the Federal Register this morning. We are sending it to all field offices this week. We are ready to proceed with that program.

We're very excited. I'm very excited. I think that the interest buydown program, $490 million over this next three years, will convince other banks that had not been interested in our guarantee program to come aboard because it does allow a real interest break to borrowers; not only their existing borrowers, but new applications that come in. If we guarantee the loan, we will participate in that interest buydown if it's necessary—and again, Mr. Chairman, that's another tool we have to make that cash flow; if a buydown is going to help them, it will work. They have to have the buydown to make it cash flow, but we're ready there to accommodate them.

We will match up to 50 percent of what the bank does, to a maximum of 2 percent. If the bank needs to only drop the interest rate 1 percent to make a cash flow, they will take care of 1 percent on a writedown out of their earnings, and we will pay them another 1 percent. So it drops the effective interest by 2 percent to that borrower. This works up to a maximum of 4 percent; so a borrower could have a rate at 14 percent in the market today in whatever town, and a buydown will get down to 10 percent. It will make him cash flow and will make him a positive case for the year.

We're excited about it. We think it's going to work. Our people are waiting for it, and the bankers are waiting for it.

GRADUATION POLICY

Mrs. **Smith** of Nebraska. Our rural bank representatives, the Independent Bankers in Nebraska, are very keen about this program and very hopeful about it.

What is FHA's current policy regarding present borrowers? What is your current graduation policy? How do you think this graduation of borrowers might help to make more new borrowers eligible for FmHA funding?

Mr. **Clark**. Well, again, we're the lender of last resort; and unfortunately, we don't have a lot of top notch borrowers in our portfolio. However, there are some; and our people, I think, have been reluctant to graduate. To graduate means that they are now eligible by all standards to get their credit somewhere else. They don't need it from Farmers Home any more. They don't need the coverage we can offer or the support we offer any more. They can go to another bank or to a PCA. We try to think and preach graduation to our people; many of them, unfortunately, are reluctant to do that. They like to have some nice loans in their portfolio that make sense and that they're pleased with and that they enjoy handling.

But we're pushing it this year. Graduation—please, think graduation and think guarantee. And that's the message we're trying to get out to our people. It will help. If, indeed, we can move even a slight layer off the top of our borrowing list—and obviously, there are going to be some that fall off the bottom—but the ones in between are the ones that we really have to, I think, work to serve. And the graduation will help.

EFFECT ON LOAN DELINQUENCIES

Mrs. Smith of Nebraska. Do you think that this guarantee loan program and the interest rate buydown will really make a significant improvement in FHA delinquencies?

Mr. Clark. Probably not, Mrs. Smith. Unfortunately, we've got a lot of delinquencies out there; a lot of them will not cash flow, as the chairman has stipulated. And those terrible delinquent numbers will still be with us. Really, if you book more good loans, the number might decrease; there would be a slight improvement, but very slight. I really don't look for that to have a significant impact on our delinquent numbers.

CURRENT DELINQUENCY RATE

Mrs. Smith of Nebraska. What is the delinquency number nationally?

Mr. Clark~~. Well,~~ I want to say 26 percent—25 percent, but I think those numbers keep changing regularly. As you know, we took a reading as of year end; if you're delinquent as of year end, you're delinquent. But now we're into the next year, and so those delinquencies have now carried over into this fiscal year. About $8 billion of our $28+ billion portfolio is delinquent.

Mrs. Smith of Nebraska. I have no more questions. We do appreciate your appearing before our subcommittee.

Mr. Chairman, I have no more questions.

Mr. Clark. I appreciate those nice comments, Mrs. Smith. I wish you would please talk to the Chairman and tell him what a good job we're doing. [Laughter.]

PURPOSE OF FMHA FARM LOANS

Mr. Whitten. Well, may I say it's a difference of view. I have the highest respect for your viewpoint. I do say, however, that the Farmers Home Administration recently has had a different approach than it was supposed to have. It was created for the purpose of helping financially distressed farmers get straightened out.

Now when the Government, as I say, has held the farmers' commodities off world markets, wouldn't sell them, the farmer deserves some help. And also, going further—this is a different viewpoint—if they dealt with a banker with your attitude, they never would have been able to borrow from Farmers Home Administration.

Mr. Clark. I would agree. Thank you.

STUDY ON THE EFFECT OF A LACK OF EXPORT MARKETS

Mr. WHITTEN. That's right. And to bring a banker with your background and your viewpoint in here in a time of trouble is hard to understand. We need to help folks get straightened out from what his Government did to him by holding his products off the world markets at competitive prices.

Now, we called on the Department to find out how much of the debt farmers owe came from that policy. What progress have you made in that study? Or are you aware of it? We directed the Department to determine what part of the debt was caused by reason of holding his product off of world markets including embargoes in 1973, 1974, 1975, and 1980. That was under a different administration. Yet, under this administration for five years, you have refused to sell competitively. We're the only country in the world that does that. Every competitor we've got does that; but we insist on holding our export selling price at the domestic price, and other countries in turn take advantage of us.

Mr. Clark, you're dealing with a different set of clients, now. If I had a bank, I'd like you to run it; but I think your attitude is not in keeping with the purposes of the Farmers Home Administration.

PRODUCTION COST INCREASE

I am told that you count on a 10 percent increase in cost, but keep the price at the same level. Is that true?

Mr. CLARK. We have furnished to our field, Mr. Chairman, some formulae from Economic Research Services to allow us to project into five years whether or not, indeed, that borrower will cash flow. We're going to take another stab at that. I think they were too cold and——

Mr. WHITTEN. Well, what you're doing is acknowledging that his cost is going to keep going up, 30 percent in three years, but you're going to keep him at the same price and income level. So you're going to break the rest of the farmers still in business, aren't you?

Mr. CLARK. I hope not. Some of those costs are dropping. Fertilizer costs are dropping.

Mr. WHITTEN. No one following your advice would remain solvent.

Mr. CLARK. Hopefully, I can put out better advice than that.

Mr. WHITTEN. But have I been told rightly that you estimate that farm costs are going up 10 percent a year but the price is going to stay constant? Is that correct?

Mr. CLARK. I don't know that for sure. I'll have to check that. I don't think that's true.

Mr. WHITTEN. You don't know it for sure? Do you think that's the case?

Mr. CLARK. No, I don't think so.

Mr. WHITTEN. Ms. Lawrence.

Ms. LAWRENCE. Mr. Chairman, it is at best difficult to estimate what crop prices will be next year. To estimate what crop prices will be five years from now is going to take a whole lot better man or woman than I am.

I will say this, though. The administration fought for a farm bill that would start to move toward a market-oriented policy so that we could sell competitively abroad. And clearly, the best room for improvement for our farmers is in the export market because the domestic market is relatively inelastic. However, as best we can tell right now—and no one can predict the disasters; no one can predict what the rest of the world economy is going to have happen—but the best we can predict, and that's not a very good prediction, I will admit to you, the best we can predict is that we're going to have a couple of very tough years, but it's going to improve as long as we can keep a market-oriented farm policy so that our farmers can compete with those foreign farmers that you so much want them to compete with.

Mr. WHITTEN. I used to have a witness who every time I would ask him something, would direct the attention somewhere else.

Now, the question was, are you estimating 10 percent a year increase in farm costs, but the same price levels? That's the question.

Ms. LAWRENCE. I cannot give you the specifics right now, Mr. Whitten, but we will submit that for the record.

[The information follows:]

Realistic financial projections are essential to develop long range agricultural commodity prices and input costs, but these projections should be based on the individual farmer's records. In cases where FmHA borrowers do not have income and expense records, the County Supervisor will use Agricultural Stabilization and Conservation Service (ASCS) records, Economic Research Service (ERS) data, County averages, or other reliable sources of data as the basis for income and expense projections. Each FmHA State Director does, however, provide his/her field staff, on an annual basis, average prices received for agricultural commodities by county, region, or district. These prices are obtained from the State Department of Agriculture, the USDA Statistical Reporting Service, or Land Grant Universities.

To assure consistency in the consideration of FmHA borrowers' requests for 5 year loan defferals, FmHA County Supervisors use ERS projected price indices by commodity to determine the expected price. Increase in cost factors are also applied to input costs.

[CLERK'S NOTE.—The material provided by the Department did respond to the question.]

Mr. WHITTEN. Are you estimating a high inflation rate in the President's budget?

Ms. LAWRENCE. No, sir.

Mr. WHITTEN. What was his estimate?

Ms. LAWRENCE. I think——

EXPEDITING LOAN PROCESSING

Mr. WHITTEN. If I may ask, what are you planning to do now? I realize the restrictions that you're under; you have to justify the budget and stick to it.

What changes or what improvements do you propose, or what will you do to speed up the decisions on making loans? I don't question the decisions or your way of reaching them, but we certainly should reach them before the land lays idle for another year. We had lots of land lay idle last year because your people couldn't reach a conclusion. I had a friend call me last year; he got a farm loan for cotton in June. He should have had it in March if he was going to make a crop.

So we need to reach decisions sooner. We do have a great difference of opinion, if I may say so, Mr. Clark, about how to run a last ditch agency trying to bail farmers out and let them get started again.

What's in the offing? What are you trying to do to speed up this decision-making process where a borrower will know whether he will or won't get a loan early enough to make other arrangements, if possible?

Ms. LAWRENCE. I'll let Mr. Vance Clark answer that, Mr. Chairman, if he can.

Mr. WHITTEN. Have you talked to the Office of Management and Budget or anybody else about what you can do? Is there anything that you've got in mind that might help?

Ms. LAWRENCE. Well, we have something in mind that we think will help a whole lot, and it's working really well in some States. We hope with some support from the Congressional delegations in other States it will work as well, and that's the guaranteed loan program, because an approved lender can get a turnaround—up or down—answer in two weeks using no Farmers Home forms. And with the buydown and the guarantee, the farmer is in as good a shape as he would be if he was borrowing directly from Farmers Home with none of Farmers Home's red tape.

Mr. WHITTEN. I am sure you are fair. But, as this committee has pointed out, when your agency said it didn't have the money to make loans last year—we pointed out that you had the right to guarantee. There was no limit on that. So that's what got you started and just about everything that you announced was announced after this committee and the Congress insisted that you did have the money and power to do it. But the loans always came about 60 days too late to plant crops when needed.

Excuse me for interrupting again. Mr. Traxler?

FUTURE OF AMERICAN AGRICULTURE

Mr. TRAXLER. Thank you, Mr. Chairman.

I'm sorry that I'm not my usual resonant self, and I'm coming across as a bass this afternoon, but I've got the midwest blues. And they're certainly not improved by what I've heard today.

I think that my temperature was elevated beyond 106 when you talked about selling competitively abroad. I think that's the greatest con statement that's been fostered in American agriculture in the last 100 years.

Can you tell me how the midwestern wheat farmers can compete with the Argentinian wheat that was offered for sale in the heartland of production—rural America—at a price, delivered, cheaper than we could produce it? How could we possibly sell competitively abroad under those kinds of conditions?

Ms. LAWRENCE. I believe, sir, that the American farmer, over many, many years—and it's taken a long time to get here—has ultimately suffered because of the extent and the depth of a lot of our Government programs.

Mr. TRAXLER. You and I are so far apart, it's sort of like North Pole and South Pole. We totally disagree. We have absolutely opposite philosophies. The Government farm programs of the last 50 years have been designed to provide a cushion that simply eases the exit—eases it—minimizes the pain of those producers who are going out of business.

The statistics are clear. We don't have more farmers today; we have fewer farmers today. Every day we have had fewer farmers since the First World War in spite of Government programs.

Ms. **LAWRENCE**. That's the point I'm trying to make, sir. Every year we put more money into farm programs than we have the year before. It's not working.

Mr. **TRAXLER**. Well, let me suggest to you—I want to know from you who is going to produce my food and fiber 10 years from now.

Ms. **LAWRENCE**. American farmers.

Mr. **TRAXLER**. Who is that American farmer, or what is that entity? How is it formulated? What is its form and shape?

Ms. **LAWRENCE**. It will be a combination, probably, of——

Mr. **TRAXLER**. You can say the dirty word.

Ms. **LAWRENCE** [continuing]. Of small family farmers——

Mr. **TRAXLER**. Now, come on; try harder.

Ms. **LAWRENCE** [continuing]. And large farmers——

Mr. **TRAXLER**. Would you say corporate——

Ms. **LAWRENCE** [continuing]. And middle-sized farmers.

Mr. **TRAXLER**. Would you say corporate, or don't you want to say it?

Ms. **LAWRENCE**. Some corporate farmers.

Mr. **TRAXLER**. Ah, there you go.

INVENTORY PROPERTY

Who buys your repossessed land currently, your foreclosed land?

Mr. **CLARK**. It's in our policy; that land goes to small farmers. The only land that would go to what you call corporate would be ineligible land, and there's very little of that in our inventory. We make it a point to do that.

Mr. **TRAXLER**. We'll go into that at the hearing later on when you're before us on your budget justifications. I think that because my growers have a misconception, then, about what's happening to foreclosed land, not only by Farmers Home but by the banks as well. And whether or not we know what's happening with it, there are some questions that I'll have for you at a later time.

We are told statistically that the people who are survivors and who may be approaching some dangers, are not those farmers who are age 45 and on up as those are least endangered by today's farm crisis. Those who are most endangered are at the lower end of the age spectrum, obviously, those who have been in the business the least number of years. Now, those are the people who are going to be the family farmers of tomorrow unless they inherit the family farm.

The problem with inheriting the family farm is, most farmers have more than one child, and the farm goes for sale because son George can't afford to pay off brothers Harry and Luke and sisters Alice and Mae. So the idea that somehow or other this entity has provided us with—let me say that the consumers benefited from our Government programs, because we've had the cheapest food and fiber policy of any country in the world. About 16 percent, as you well appreciate, of the American household income goes for food. Would you tell me what your best judgment is also where the price of food is going to be five years from now, or ten years from now, when those new entities are really moving massively into farming and agriculture and producing our food and fiber? Would you say there's an opportunity for entrepreneurs here?

Mr. **Clark**. Why, sure; there's always room for an entrepreneur, anywhere in any industry.

Let me tell you, coming from California, there was a great fear a few years ago about corporations—and the foreign corporations, particularly—taking over our land. It didn't happen. It didn't happen. The Government was so skittish about that, but it was not true. They found out it takes a hands-on management; it takes a family man to run a farm, and a conglomerate is just not going to make it.

Mr. **Traxler**. Well, that's a historic perspective. I think California is a good illustration of Government involvement in agriculture in our irrigation projects and the costs of those out there. So, you know, that entrepreneur gets a hell of a lot of subsidization from this taxpayer of ours; and he does very well by it, I might add, and he resents the Government paying out monies for any other purposes—except to benefit him, of course.

Well, I guess what I'm troubled by is that what I see as a way of life in rural America—and this is going to affect the small towns that I represent and the small town merchants—what I see, it's dramatically changing and the form of production is going to be changing, in my judgment, as well. And it's not going to bode well for the future of our country nor, in my judgment, is it going to bode well for the food consumers of this country.

Unfortunately, ten years from now I'm not going to be here to remind you of that, and probably you won't be sitting there to be told about it. That's the sad part, in a sense. The sadness, however, is really that these are tragic events that are taking place that are moving people off the land at ever-increasing numbers. And the question is, who is going to be replacing them? And that's my concern.

The human misery that's involved and the direction that American agriculture is taking—I don't like it. I don't think the Chairman likes it. I don't want to speak for him; I know him awfully well, but I don't think he approves in that direction either. Most of the members of this committee wouldn't, either. And it's scary for us.

Mr. **Clark**. May I make an observation, Mr. Traxler?

Mr. **Traxler**. Sure.

Mr. **Clark**. When I was a youngster in the depression days, I saw that happen at the end of the depression, the end of the late 1930's, the farmers leaving the land, foreclosed property. I was amazed at the resiliency and the way our farmers bounced back. They had to give up their land, but many of them went back to that land through tenant farming, through leased or rented land, and they made it and they went back with ownership eventually. And I say, even those small towns today—and I was back there a few months ago—they're still there. They're still existing. They haven't changed a heck of a lot from 50 years ago.

Mr. **Traxler**. You know, Mr. Clark, I hoped that it would have been possible—or would be possible—for, 10 years from now, for you to look at me and say, you know, you were wrong in that observation back there at the end of February in 1986. I hope I am, but I'm scared to death that I'm not. And I think that we have a place for Government in agriculture, and I think that one of the places for Government in agriculture is to help young farmers get established. I might say that under your positive cash flow theories, they can't do it. So who is going to be doing the farming five or ten years from now, when these 50-year-old guys move off the land?

Mr. **Whitten**. Mr. Watkins.

Mr. **Watkins**. Thank you, Mr. Chairman.

POLICY ON FOREIGN AGRICULTURAL COMMODITIES

I've been listening with great interest.

Madam Secretary and Mr. Clark. As you know, I spent a lot of years involved with agriculture. I majored in agriculture at Oklahoma State University, a land-grant university. I would travel across the country making speeches when I was in the Future Farmers of America organization about the fact that the family farmer was in jeopardy due to corporate farming. This old bugaboo was what I always said was going to be our great enemy.

I will confess to this entire committee, I was wrong. It's not going to be corporate agriculture taking over. The policy that's leading us down the drain is letting foreign agricultural commodities endanger our family farmer, not corporate agriculture. We're not going to let the corporate farmer make a profit. It's affecting the agriculture industry the same way as with the oil industry. And if we continue, the Argentinian wheat will be unloaded, just like they're unloading rice on the West Coast.

The family farmer is being driven off the land but it's not because of corporate agriculture but because of the lack of a price for his product. As long as these policies are continued, we're going to have a more expensive farm bill. We're going to have an expensive farm bill because there's going to be a difference between the loan rate and the market rate. The deficiency payment is going to increase, and that's going to increase the cost of farm programs. That's the policy we passed this past year. Five years of declining farm prices have accrued at a time when we have the greatest farm debt in history. And the erosion of farmers will continue.

Unless major changes have taken place we're going to see the greatest exodus of farmers in the next five years in the history of our lives.

Mr. **Traxler**. Would the gentleman yield at this point?

Mr. **Watkins**. Yes.

Mr. **Traxler**. I think your point is well taken. I would call the gentleman's attention to, for instance, the European Common Market agricultural community; a matter of less than 10 years ago, they were major purchasers of our agricultural commodities. They are now competitors of ours, both in sugar and in wheat. And that's because of determined government policies in Europe to assure the survival of their family farm, and a determination to be food-independent. And that means they want to export their surpluses for any price they can get. And they will export them here if we were to open our doors to their sugar. And I think the gentleman's point is well taken.

I might add that with the new lands coming into production in South America, I think you're looking at entirely new kinds of competitors that are going to be very, very difficult for us to compete with in the world markets. They already are.

Mr. WATKINS. Do you know what a lead loss policy is?

Mr. CLARK. Loss leader?

Mr. WATKINS. Loss leader, if you want to say it that way? Loss leader?

Mr. CLARK. Yes.

Mr. WATKINS. Well, I think that a lot of the countries are doing that. As the Chairman said, we are throwing our farmers—unilaterally disarming them to compete in the world without the same protection we would have if a military situation would exist. And we have not done the job in selling competitively. If we keep the surpluses and not sell it, we're adding to the problem.

The reason I was late in coming was because I was talking to a farmer. A farmer that was, unfortunately, being critical of the Farmers Home Administration. As You know, Mr. Clark, I've talked to you about how the early publicity was conducted on the program "notice of intent to take adverse action". This was a disservice to agriculture, USDA, and Farmers Home when we conducted it in this manner. In our conversation, you assured me that was the wrong indication, that compassion has got to be the number one format that we start working.

LOAN SERVICING POLICIES

I want to make a point. I don't think that the communication is getting to the grass roots. If you would, provide for the record copies of the correspondence or the letters that were sent to the State directors, and what was sent to the county committees. Somewhere I think there's a communication breakdown.

[The information follows:]

The agency has and continues to impress on both State and County Office employees the need to show compassion and concern for borrowers and their families who are facing severe economic stress. This issue was particularly addressed this past fall in St. Louis, Missouri where all State Farmer Program staffs, District Directors, and Program Review Assistants received training on the servicing of Farmer Program Loans. We also stressed the need to show compassion at our Policy Meeting-Farmer Programs, in Denver, Colorado, last fall with all FmHA State Directors and Farmer Program Chiefs. I am submitting a copy of my speech that I presented at the Administrator's Policy Meeting—Farmer Programs, in Denver, Colorado. I will also submitt for the record correspondence that address the issue of compassion.

[CLERK'S NOTE.—The information submitted appears on pages 193 through 252.]

Mr. WATKINS. I read those options. If the county Farmers Home supervisor is approaching it right, there's a category that can fit nearly any farmer.

If I'm interpreting this wrong, you correct me. Now, you have a policy of making sure that it cash flows, right? I understand that. I may have some disagreement with that, but you've got to show something on paper. But let me point out; you have got the options of reworking the interest rate. You've got the option of restructuring it. Even if it still doesn't cash flow, you've got the option of the limited resources section, of really just cutting the interest rates.

Mr. **Clark**. That's correct.

Mr. **Watkins**. And you've got a policy of deferral for five years.

Mr. **Clark**. That's correct.

Mr. **Watkins**. Now, it looks like to me that even if you can't cash flow, you can defer. Is that correct?

Mr. **Clark**. No. Deferral has to contribute to the cash flow. If you defer the debt and it still doesn't cash flow, we will not go on further with it.

Mr. **Watkins**. You mean, if there's not a deferral, you're saying, the loan has got to be a positive cash flow, even in deferral position?

Mr. **Clark**. Even if we set aside the debt for five years—no interest, no principal, it just sets there for five years—if he still can't break even on a cash flow, we'll not go on. If you think about it, it's ridiculous to go on. That farmer is gone; there is nothing we can do to save him.

Mr. **Watkins**. No, we've got five years. We're going to grant five years to anyone, basically, other than the guy who says—as we said a while ago, there's no way we can predict it. Now, the farm bill locks us in at a lower price. I hope you've looked at that farm bill and saw what price it's locked us in. But if you're not going to get any payment, principal or interest, on those that you defer, what good is it to you, closing down this family right now?

It looks like it would be a whole lot better, Mr. Clark, if they're not going to make any payment of principal or interest to you for five years on the deferral, to try to work through with them because they're not going to cost you any more money.

Mr. **Clark**. Oh, yes, they will. Cash flow says they're going to be further in debt at the end of the first year, the second year, the third year, and the fourth year. They've got to at least break even and they're not doing it.

Mr. **Watkins**. You're not going to loan them any more money, are you?

Mr. **Clark**. No. Well, wait a minute—yes. How's he going to plant his crop? How is he going to buy fertilizer? How is he going to live?

Mr. **Watkins**. I didn't say that. I said deferral of payment, deferral of principal and interest payments, Mr. Clark. But you're saying that if he doesn't cash flow, you're going to automatically cut him off right there?

Mr. **Clark**. That's true.

Mr. **Watkins**. Well, that's a little harsher than what I was interpreting——

Mr. **Clark**. What would you do, Mr. Watkins? Because I would be happy to hear your suggestion. What would you do?

Mr. **Watkins**. Well, if he's got an opportunity of going someplace else——

Mr. **Clark**. Well, we'll do that. We'll even subordinate our debt to another lender. If another lender says, I don't agree with you guys, I want to finance this guy; we'll say, fine, we'll subordinate our debt. You go right ahead. We're willing to do that.

Mr. **Watkins**. I've worked with one that's subordinated, and I understand that.

Mr. **Clark**. But I think that if we cannot make it in those, if I've interpreted those options correctly, look at the hopeless cases that will not be settled. If nothing of this will work, does it make sense to keep pouring money into that borrower, meaning more debt?

Mr. **Watkins**. Are you taking into consideration any outside income?

Mr. **Clark**. Sure. Sure, we're encouraging it. If the wife is a working school teacher or whatever, we'll take that. If that will help cash flow, we'll do it.

Mr. **Watkins**. Because that was another thing, a kind of communication problem that maybe existed.

Mr. **Clark**. I tell you, we are not the heartless lenders that some of you perceive us to be. We will do anything to keep that individual on the land except give the farm away, and we can't do that. And I don't think the taxpayers want us to do that.

Mr. **Watkins**. You're not as lenient as I'd like. If you put them all out of business everyone's going to be hurting a lot more because of the volume of land going on the market. In my State, prices are depressed. Under the policies of this administration it has deflated land values four years in a row, for the first time since the Great Depression. We had a tight money market until December 1982.

Turning back to the communication between national, State and local offices. Let me say, I understand the problem of communication, even in my office. But communication needs to be improved between the State and county supervisors. I encourage you to do everything possible down on the county level to communicate.

You had 36,000 loans on hand this year, or about 11 percent less. Is that calendar to calendar, or is that by fiscal year?

Mr. **Clark**. Calendar to calendar, a year ago at this time.

Mr. **Watkins**. Since a year ago at this time you have 36,000, or 11 percent less?

Mr. **Clark**. Yes. We have 36,000 today; a year ago we had 40,000 on hand.

Mr. **Watkins**. One of the factors affecting the totals could be the foreclosure publicity.

Mr. **Clark**. Yes.

Mr. **Watkins**. There's about a two-month delay there. I told a lot of my people in my area that they should wait until the five options are presented. We need to try to get those worked out.

I've got two good colleagues down at the other end that have been very patient.

INTEREST RATE BUYDOWN PROGRAM

On your buydown that you announced last Friday, do you know what the discount rate at the window of the Fed was last Friday?

Mr. **Clark**. No, I don't. However, I don't think that really affects us unless you're talking about cost of funds to the lender—it could be an item. But he can charge no more than 1 percent above the interest he's charging the average borrower for the week preceding this loan. So he can go up to 1 percent on that.

Mr. WATKINS. Let's look at this because I think this is very important. What is the average borrower?

Mr. CLARK. Well, the lender has to really prove to us, okay, what is my going rate for the average farm borrower in my portfolio? Taking out the lowest and the highest, what's the average? And he can charge 1 percent—no more than 1 percent higher than that average when he calculates our interest buydown application. So his average rate is 14 percent, then that's what we'll work for; and we'll drop, up to 4 percent, so that borrower gets 10.

Mr. WATKINS. Well, I'd like for you to look at that a little closer. In all respects I love my bankers, but I'm interested in protecting the farmer. And if you don't look at that discount rate window and what it's costing him for money, and looking just only at what he's charging for interest rates, you're going to find that a lot of the bankers are making 6 and 7 percent on their money, still at the expense of the farmer.

We need to tie the loan to the cost of that money. I've got a lot of good friends in the banking business, but they're looking to protect themselves. I'm, trying to say, protect some of the farmers.

So I would appreciate you looking at how we might tie that in the program. I think that we all would agree on this committee that we need to look at where we're tying that interest rate and where we're working from on the buydown. I think it's a good proposal but I think we need to look very closely at how we're tying that figure down.

Mr. Chairman, thank you very much.

Mr. WHITTEN. Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

OPERATING WITHIN THE LAW

Mr. Clark, it's refreshing to hear your frankness and to understand that we are operating under laws in this country, and that you are trying—as I understand it—to administer the law as is, is that correct?

Mr. CLARK. That's right.

Mr. ROGERS. Now, I'm sure some of us would like to call you up or call your people up in our States or our counties or areas and say, look, I've got a farmer here that's going over the brink and there's nothing that I can do to help him, and I really want you to bend the law and help this fellow out, and I want you to forget the law a minute and please me. Do you get any of those requests?

Mr. CLARK. Fortunately not. I'll tell you, if that comes to me, that's the day I go home. I'm not going to stay in this job if I have to bend to political pressures to make a loan.

Mr. ROGERS. I didn't ask you that. I said, do you get any requests for that type of help?

Mr. CLARK. No. Not in that tone. We get appeals, please give it your best shot at an application. But never the pressure to say, you make it, please, no matter what.

Mr. ROGERS. Well, what I'm driving at is, someone asked you a minute ago whether or not you're a relief agency or whether you have certain laws that you have to go by when you loan money. Now, are you a relief agency or are you an agency that has to abide by the laws that the Congress passes?

Mr. **Clark**. We have to abide by the laws that the Congress passes. We are not a relief agency.

Mr. **Rogers**. Does the Congress' past law allow you to be a relief agency?

Mr. **Clark**. I think not.

Mr. **Rogers**. And when those of us who are asking you to be a relief agency, know full well that you can't be under the laws that we passed, shouldn't we realize that we'd have to change the law in order to allow you to be a relief agency? Isn't that our fault and not yours?

Mr. **Clark**. I would think it is. And I would hope you don't.

Mr. **Rogers**. I guess I've got as many farmers or a similar percentage of farmers, in my district in trouble as anybody's, and yet we all understand that times are tough and it's going to take some tough people to stick through this thing. But I don't think the taxpayers of the country have it in their heart—they have it in their heart; they just don't have it in their pocketbook—to pay for the enormous changes that are going on in agriculture throughout the country and, in fact, the world in this day.

DELINQUENT DEBT

Now, you've got, I believe you said, $8 billion of your $28 billion portfolio delinquent; is that right?

Mr. **Clark**. That's correct.

Mr. **Rogers**. Do you have an estimate how much of that $8 billion will actually not be paid back?

Mr. **Clark**. No, I don't. You know, we're trying to do some loan classification in-house now; and I think that after this year's negotiations, we obviously will have a better feel for that. But I assure you it's going to be a big number. It's going to shock you and it's going to shock me.

The GAO report released a few weeks ago also told that story, from 52 percent of our borrowers who are in the 70+ percent debt-to-asset ratio. That tells you that there's great stress in that segment, and many of them just are not going to make it.

Mr. **Rogers**. Can you give us—is that $8 billion concentrated in any given areas of the country?

Mr. **Clark**. Well, it's concentrated in the disaster loans. If you pick them out, almost $4 billion of that is in the disaster loan category. And I think there's been a great abuse of that across the nation in years past. A borrower, if he's wiped out for the year in a disaster, will take everything he can get in a disaster loan when maybe he didn't have to do that. He should have taken his seed money or whatever, but he shouldn't have had to take the whole ball of wax and—I probably shouldn't say this—buy his new pickup or whatever he needs to do. We have some good farmers out there who resent that program as they look down the road to see what one of our borrowers has done.

That really has—I've said it before—been a disaster, I think, for this agency. And hopefully some of the new things in the farm bill will allow us to more closely monitor that program, the family size farm, etc., and total borrowing of $500,000.

INTEREST RATE BUYDOWN PROGRAM

Mr. ROGERS. Now, the buydown program that you've just announced—as I understand that, the idea is to buy down the guaranteed loan rates up to 2 percent if the private bank will do the same. Is that correct?

Mr. CLARK. That's correct.

Mr. ROGERS. What's your expectation for that program?

Mr. CLARK. I think the bankers are going to jump at that opportunity. I think there are some borrowers on their books that they have reluctance in financing, that if they could get them to cash flow—and the interest buydown would do that—they'll go ahead with it.

Incidentally, I think those funds are very adequate, $490 million over three years. If we only buy down 1 percent, we could book about $18 billion in loans; 2 percent, $12 billion—well, excuse me, a 1 percent buydown would be $16 billion. So I think there's plenty of funds in there.

Incidentally, the buydowns don't all have to be 2 percent if all it takes is 1 percent or a 1.5 percent drop, that's what we will match. And I think it will not all be 2 percent buydown.

Mr. ROGERS. But the likelihood is that that buydown procedure will probably not affect too many of these $8 billion in delinquent loans now, will it?

Mr. CLARK. No, it won't.

Mr. ROGERS. Because the banker back home—even more so than FmHA—is going to say, I can't; it's a lost cause; I'm not going to get into that deal at 2 percent interest, let alone 8 or 9, right?

Mr. CLARK. I'm sure you'll find that true.

Mr. ROGERS. So is there anything further that you can think of that you can do or that we can do to help you to give that $8 billion an extra break, or to try to help those people who, it sounds like, are the worst in need?

Mr. CLARK. I've got to tell you, the files I've looked at in that category are disasters, as I've said. It just makes a banker ill. And there are good examples in my home State of California—big corporate farmers able to get into our agency for $60 million. That is ridiculous, and I think that's the type of thing we're seeing. There's fraud involved in that in years past, and we have to clean our act up in that direction.

I don't think that there's anything that you or I can do to make that more palatable, to make that portfolio more attractive or more viable. We've just got a lot of hard, pick-and-shovel work to collect those loans.

Mr. ROGERS. Have those types of loans been turned over to the Justice Department?

Mr. CLARK. Yes. The Justice Department has the one I'm thinking of.

Mr. ROGERS. I didn't hear you. I'm sorry.

Mr. CLARK. The Justice Department has that, and they are pursuing that.

Mr. **Rogers**. Are there several like that?

Mr. **Clark**. I'm sure there are; the one, particularly, sticks in my craw. We, as a bank, turned that outfit down and then they turned around and got it from the Government, which makes it less valuable.

Mr. **Rogers**. Now, in my State, in Kentucky, most of the guaranteed loans go to the larger farms, the more profitable operations, the ones in better financial condition. What steps are being taken to assure the availability of loan funds for the smaller farms and those in less secure financial condition?

Mr. **Clark**. I'm not quite sure I understand your question, Mr. Rogers. As funding goes, I think we are correctly allocating our funds nationwide, and the States are doing it by counties. I think we're keeping a close finger on the pulse of that demand. They may be able to shift funds back and forth within their State. I think that's going to work out well.

Mr. **Rogers**. Do you think it will stretch down to the small farms as well as the very large, successful farm operations?

Mr. **Clark**. Well, our mission is for the small American farmer. It's not for the large farms, and I think that we're trying to, again, live up to the letter of the law. We're once again massaging the definition of the family farm as mandated in the farm bill. These disaster loans, for example, now mandated by the farm bill, have to go to only family-size farms. So we're trying to clarify that definition and should have that out within a few weeks.

Mr. **Rogers**. Well, I congratulate you on the buydown program. As I say again, in closing, I want to say that it's refreshing to have a person who will come up here and be frank with us and forthright, and tell us yes, no, maybe, but tell us what's on your mind. I appreciate that, and I thank you for being here. Thank you, Mr. Clark.

Mr. **Clark**. Thank you. I wish you'd talk to the Chairman, too, please.

Mr. **Traxler** [acting chair]. Last but not least— we've saved the best for last—Mr. Skeen.

INFLATION

Mr. **Skeen**. He says that only because it's true. [Laughter.]

Ms. Lawrence and Mr. Clark, I do want to say this to you, that you probably have given us the greatest opportunity to vent our spleens and our philosophies and so forth, and you've had to be a very attentive and attending audience for us. And I appreciate the jobs that you folks have to do, as all of us do on this committee.

My background is similar to yours. I spent a lot of time in agriculture, but I also spent a lot of time in country banks; and you come across as a good country banker. I think that you probably spent your time well, and it's kind of refreshing to have this attitude about the Farm Credit System brought up here, because I'll tell you how we got in this mess, and everybody seems to forget it once in a while.

We talked about deflation in the last years, and I'm not being critical of anybody's observation, but nobody said a word about the inflation that took place in farm land values. And that inflation was fueled—and now it's my turn to get philosophical—by every Government program that came down the pike on lending to family farms in the United States. At one time we had a supermarket of lenders from the Government sector—SBA, Farmers Home—come on over, folks, we've got a lot of money over here and all you've got to do is borrow a little of this money and you can buy some of that land that's increasing in value, and you can go to your private lender and use that as collateral, and he'll help you get your SBA or your Farmers Home loan and so forth.

And then when we got to the point where we decided that we had better take a look at this thing and get our financial house in order Governmentwide, we got deflation. And who is the worst hit? Why, the one segment of our economy that has never made a clean profit in the last 30 or 40 years because we've had a cheap food policy in the Federal Government for a long time.

So we're here crying about a system that none of us made any contribution to personally, but that we've all been contributors to. And I'm very much concerned about how we get ourselves out of this thing. Let's talk about the small—we've talked about the definition of a family farming enterprise, or operation, as it is constituted and defined, I think, in USDA language. I asked not long ago how much investment is involved in the USDA's definition of the family farm. I think it's something like $3 million to $4 million; $3 million to $4 million.

The question was asked a while ago about inheriting one of these agricultural enterprises. If I were in line, or an heir, I would refuse because you can't make enough money in agriculture today to—or you can't make a profit, and it's hard enough servicing debt. And that's where I wanted to ask you some questions about debt service.

We've had an interest rate drop; I think probably one of the most beneficial things as far as farm financing is concerned has been an interest rate drop here in the last month or so because of the oil situation and so on. And I don't know how that affects the Farmers Home Administration, but I think that it probably is a plus for you, if I'm reading it right; but you're not that interested if anybody—it also has an effect on the Farm Credit System.

ADDITIONAL FMHA BORROWERS

The Wall Street Journal yesterday had an article about right now, there's some 100,000 farmers that can't qualify from private lenders, today, because their profit and loss statement—or, as you mentioned it a while ago, their profit margin, their ability to pay back—is seriously impaired under the present situation. So what does that force them into? Because the FDIC has had one of the toughest policies on classifying ag loans, because they don't perform. Can you take 100,000 more applicants in the Farmers Home Administration? How would you handle them? It looks to me like we're putting more and more pressure on the Farmers Home Administration with the situation that we have right now.

Mr. **Clark**. I feel the concern about that article, and I hope that's not the number that will finally come around. There's no way that we could take 100,000 new borrowers onto our rolls;

there's no way. We just don't have the human resources, and I don't think there would be enough dollars in our appropriation to take care of 100,000 new borrowers. And I'm not sure they're all viable, either.

Mr. **Skeen**. Well, that's give or take, but that's — we're giving them some kind of a license insofar as the reporting is concerned, but 100,000—that's a very bothersome thing because we have had a concerted effort by FDIC and the examiners, putting a lot of pressure on the private lenders.

Mr. **Clark**. Do you think, Mr. Skeen, that our interest buydown will help to retain some of those borrowers at the Farm Credit System? I hope it will.

Mr. **Skeen**. Yes, sir. I think that program will help, and I think that every program that you've got—so long as it's judiciously applied—because if we get into this business of take one, take all, we're going to be in even worse difficulty next year when we go through this process once again because, with the examiners classifying loans— and I'm really surprised that you're getting that kind of response from the banking community; unless the interest rates and the other pictures have changed appreciably, because right now there aren't many private banks or private lenders very eager to take on any kind of a loan unless they've got some kind of a Government guarantee with it. Am I wrong or right?

USDA/FDIC PROGRAM

Mr. **Clark**. No, I think you're right. However, if they've got loans that are classified or awfully close to classification by the nationals, I think indeed they will be anxious to phone in. Something will keep it aboard; something will keep the cash flowing to keep it out of the classified column.

Mr. **Skeen**. To get it out of classified?

Mr. **Clark**. Yes, and keep it out.

Mr. **Skeen**. Is there still a program going on between FDIC, the examiners, and the Department of Agriculture on educating some of these bank examiners about agriculture?

Ms. **Lawrence**. Yes, sir.

Mr. **Skeen**. Is that still going on?

Ms. **Lawrence**. It's still ongoing, and either Mr. Naylor or I—whoever is available—have met on a semiannual basis with the examiners to be sure that they continue to understand the process. And there is the clear understanding that the guaranteed portion, the Farmers Home guaranteed portion of any farm loan, will not be classified by the Federal Reserve, by FDIC, by the Comptroller of the Currency, or by the new Farm Credit Administration for the PCA's.

Mr. **Skeen**. Well, do they still send training examiners over?

Ms. **Lawrence**. Yes. We still provide training for their examiners. Every time they bring their examiners in semiannually for seminars, we do address them.

Mr. **Skeen**. Of course, we have a problem with them, too, because they turn those examiners over so rapidly; they get about six months' experience with the FDIC, and then they go into some——

Ms. **LAWRENCE**. Well, the Farm Credit Administration is trying to steal as many of them as they can get right now.

Mr. **SKEEN**. Is that right?

Ms. **LAWRENCE**. Yes.

FARM CREDIT SYSTEM

Mr. **SKEEN**. Well, good. I'm glad that there's a great market for these folks somewhere in the picture.

But I've been really concerned about that thing because it's a fabric that has to fold together in the Farm Credit System, and we did our part by introducing or bolstering the bonds and so forth under the Farm Credit System before the first of the year. And that has had some good effect. And I'm beginning to feel that this thing is dampening up.

But just being able to service debt has been the primary consideration of a lot of agricultural enterprises. Just servicing debt—we're not talking about any profit; we're not talking about paying back any loans—just staying even. And those banks out there and the agencies, the PCA's and the land banks, have also been figuring this thing on the same basis. And they've got to make some money somewhere along this line, and they can't make it in the domestic market and I'm not real sure that they could make it in a foreign trade market, but I'd like to see us do more in that area and we have done a considerable amount. But there's just not a lot of money in agricultural products world-wide because of the situation as it is today. So we're in for a long seige, and we're probably in for a long discussion.

I do appreciate the effort that you folks are making down here. I think that it's the time to go in the right direction. You're going to get a lot of criticism and so forth, but if you weren't able to take that you wouldn't be in this position anyway. The same goes for us up here.

Thank you for letting us make a dartboard out of you for this part of the day because it always makes us feel so good that we get to walk out of here and say that we've really done something for agriculture today.

Thank you, Mr. Chairman.

FARM CREDIT SITUATION

Mr. **WHITTEN** [resuming chair]. May I say here that I wish my friend from Kentucky was here. Nobody is asking to have a giveaway program. But we do have three main segments in our economy—agriculture, industry and labor. In my opinion, they need to be in balance. Under the law, we've got minimum wage laws and we've got the right of labor to organize. So the average per hour wage of U.S. workers, from whom the family has to buy, is just about equivalent to a week's salary in some of our competitor countries.

Industry has the right to mark up, knowing what its cost is. So, because of laws, labor and industry have increased their take of the consumer dollar—as I have pointed out—from 49 percent to 73 percent. Because we don't have equivalent law for agriculture, the farmers who are the biggest market for industry and labor, have to pay more when they buy from them.

But instead of us using the law that worked for years, where we had a support price where the farmer received a fair price from the consumer, now we've got him where he has to look to appropriations from Congress to stay in business. The consumer should pay it, not the Government.

Now, the question is whether you should, in your position, help a farmer to get straightened out. I think you should in the interests of the nation, because you can't let the biggest industry go bankrupt without closing the banks—and that's showing up every day. You can't let the biggest industry go down without your savings and loans going down, and they're going down every day. You can't let your best supplier for world trade go down. Today we are buying from foreign countries $140 billion worth of things that we could provide for ourselves. So we've given up that income from sale of our production in foreign markets.

Now, you say, how do you prove that? The PIK program, for instance, used commodities on hand to pay people not to produce. This committee had to pick up the cost. And you ended up where you didn't have adequate supplies, so you paid farmers to produce cotton to pay themselves for not producing cotton.

Now, as a result, we lost 11 percent of our markets; it went to France and these other competitors. If you continue the present farm program, you won't have anything left but the domestic market for the U.S. farmer.

Now, let me tell you why I think you should give these farmers a chance to work out of it. In 1973, an embargo was placed on the shipment of oilseed from the United States to all destinations, the summer of 1973. Part of this embargo stemmed from the Export Administration Act of 1969. Among the commodities affected, the restrictions were on soybean and cottonseed. We probably never will get that market back from Japan.

In 1974, the U.S. Government requested private grain firms to voluntarily restrain sales to the Soviet Union in response to short U.S. supply. So because we had a shortage here, we asked the farmer to accept the loss of that market. And we didn't reimburse him for his losses. In 1975, export restrictions adopted were similar to those in 1974. The U.S. Government requested voluntary restraints to the Soviet Union and later to Poland; as part of our foreign policy. The markets affected were wheat and feed grains. In 1980, the embargo was intended to indicate U.S. disapproval of the Soviet Union's invasion of Afghanistan in December of 1979.

Why should the U.S. farmer pay for us doing that? But they did. The law says you can forgive principal, you can forgive interest, you can do anything to keep the farmer who suffered from the actions of his Government in business. I know Mr. Reagan, and I get along fine with him; I was down there four weeks ago today, and I tried to point out to him that he can't constantly increase the amount given to the military without having much less to spend for things more essential to our own country.

Now, when a fellow has carried the load for his Government's foreign policies, you should lean over backwards to give him another chance. Otherwise, the man who has worked all these years will lose his land and then some bank or corporation or rich man may buy it.

So in my opinion, and it is as sound as it can be. I am convinced that you can't let your biggest industry go down. Land has gone down as much as 75 percent in two years. It's affecting the farmers collateral and it's affecting your banks. If you take money from a bank that's already insolvent, they can send you to the penitentiary. But if you tell somebody that a bank is insolvent, it would go broke tomorrow. So the biggest bank may be in the worst possible shape, but it doesn't show.

Well, we have had 120 banks go broke last year, and another 120 banks may go down this year, including some savings and loans. I don't believe you can let your biggest industry, agriculture go under as it is without pulling the rest of us down. So I'm not asking you to give anybody anything except to give the fellow who has suffered from faulty policies of his Government another chance. And I'll fight anybody about the soundness of my belief in that, and I believe that I can prove it. I have told the President that, and I haven't had a soul take issue with me out of 30 leaders in Congress.

If you think you can let your biggest industry go bankrupt, you ought to look at what's happening in the rural communities in every area of the country. So what I'm saying is, get on your knees a little bit and think of these people who have suffered from their Government's mistakes, many of whom have gone broke. They should have a chance.

Now, I happen to agree with you that farm costs will go up. I think they will. But we've got a farm bill that's supposed to bail the farmer out, but won't because it holds his prices too low. So a whole lot is in attitude, particularly on the part of bankers. But the bankers' attitudes count a whole lot on whether he will make loans or not.

Let me say that for the last several years we've had lots of trouble getting action from FmHA. Now, if you're not going to make loans, say so; if you are going to make them, do it in time to enable the farmers to make a crop and not let the land lay idle.

Any further questions?

NUMBER OF FINANCIALLY STRESSED BORROWERS

Mr. WATKINS. Mr. Chairman, I would like to ask a couple more to clarify a few items.

I want to be of help but you must improve communication to the grassroots of America. It's a very difficult situation. I know that it is difficult to keep 1,000 employees properly informed. I guess what I'm asking you to do is send out an extra memo to try to get that communication strengthened as much as you can. In all respect, sometimes it gets diluted, weakened, or something.

You mentioned you have 52 percent of your loans with 70 percent or higher debt-to-asset ratio. Is that 52 percent in dollars, or is that in the number of loans? Which is it?

Mr. CLARK. Borrowers, number of borrowers.

Mr. WATKINS. Number of borrowers out there. So you've got $28 billion in loans, and you have how many borrowers ?

Mr. Clark. We have 275,000 borrowers.

Mr. Watkins. You have 75,000 borrowers?

Mr. Clark. That's 275,000.

Mr. Watkins Oh, 275,000. So 70 percent of those who are in trouble are about 175,000 borrowers?

Mr. Clark. That are stressed, right.

Mr. Watkins. That's about 192,000 that have 70 percent or more debt. That's an astounding number, to say the least. It's talking to all of us, I think, as we look at that figure.

On the buydown that you announced last Friday, maybe you could send that to me.

Do you have certificates of deposit that are paying at about 7 percent Treasury notes running around 7.7 or 7.8 or so? That's something that you can peg to, and the farm people know that they are being treated the best they can.

Mr. Clark. The banker's rate?

Mr. Watkins. Yes.

Mr. Clark. Again, you know, it's hard to dictate to a bank. You have banks that have substantial losses. They've got to have—just as the Farm Credit System has to have, a spread in there that allows them a profitable operation. It's difficult to tell a bank in Podunk, you know, you've got to charge the discount rate; they won't do it.

INTEREST RATE BUYDOWN PROGRAM

Mr. Watkins. I don't want them to take it out on the farmers, though. I find that asking the average farmer today, he's still paying 13 and 14 percent. With that interest rate how can you expect to have a positive cash flow?

I'd like you to tell me, how you see the buyback working? I walk in; I'm a farmer; I've got a $100,000 loan at the bank right now, is that what you're saying?

Mr. Clark. Yes.

Mr. Watkins. And it's at—4 percent. And I'm needing help. How do you see that working? And the average loan at the bank is 14 percent.

Mr. Clark. Well, if that debt is hanging out there at $100,000, maybe he needs another $50,000 or $20,000, we'll say, to carry forward into next year, so the net debt now is $120,000. Rather than 14 percent, if it takes a drop to 10 percent—2 percent on each of us, the bank and Farmers Home — to make that cash flow profitable, that's the way it works. And his average rate, 14 percent, we're going to drop it by 4; 2 by the bank, 2 by us. The borrower now pays 10, and he'll cash flow at 10.

Mr. Watkins. That's the full $120,000, and he's cash flowed at 10?

Mr. Clark. That's right. And you could write it for three years. You could go down three years, because it's a three year program. The bank might not want to do that; they might say, we'll only do it for one year. Fine, we'll go with you for one year. And then we reimburse the bank at the end of the year; when it's all computed, we'll send them a check for that buydown.

Mr. **Watkins**. What kind of money do you have in that type of program?

Mr. **Clark**. We have $490 million, three years. We are looking at $120 million for 1986.

Mr. **Watkins**. Let me tell you, with that 192,000 people out there, you've got a lot of loans out at 14, 15, 13 percent. And we look at the Treasury bonds being at 7.5, 7.8, somewhere in that neighborhood, there's a lot of difference. That's going to be interesting to see how that flows. I'll be interested in talking to you about that.

And the best of luck with it. There are a lot of them that are not cash flowing by far, and they're not going to be able to cash flow unless the interest rate gets down close to 10 or below.

I want to say thank you Madam Secretary. I know you're working on getting some rural development activities transferred to Farmers Home. The Office of Rural Development Policy activities have that transferred over to Farmers Home?

Ms. **Lawrence**. Yes. Well, the outstanding contracts have been transferred over.

Mr. **Watkins**. They're still sitting separate right now, but the contracts and everything like that have been transferred over?

Ms. **Lawrence**. Right.

Mr. **Watkins**. I want to say thank you for coming in. I have a very close working relationship with every one of the counties in my area of the State of Oklahoma and the people there have got a bigger load than what the banker's got, by far. I know a communications problem exists but I urge you to keep doing everything you can to correct the problem.

Thank you, Mr. Chairman.

Mr. **Whitten**. I say thank you, too. I want to repeat that there is nothing personal meant by my questions today. But we can see the effect of 10 years of letting the farmer and agriculture pay the cost of our foreign policy, can see the effects on the overall economy, and have seen our debt double in five years from $1 trillion to 2 trillion dollars. Also we are depending more and more on foreign countries while everything else is going down. I think the signs are there. I've done my best to point them out, and I think properly so.

We have on this committee the obligation of having annual overview hearings with the Secretary of the Treasury, the head of the Council of Economic Advisors to the President, and the Director of OMB. I closed that hearing a few weeks ago by saying that I, like many, realize that we've got three divisions of our economy—industry, labor, and agriculture. In Government, we've got the legislative, the judicial, and the executive. I believe we've all got to pull together like the three-horse carriage to get anywhere.

But I believe we're going downhill today, and we'd better change our direction. I think we are headed in the direction of agriculture pulling the rest of us down, and I think every day the media indicates that. I've tried to show that it's not the farmer's fault; the Government has stepped in and let him pick up the check. The record is there. As you can see, I pointed out what happened under President Carter. In my opinion it has continued under President Reagan. I say it's time we give folks a chance because we've imposed on them through faulty Government policies.

Thank you very much. I hope you understand my deep feelings about this. I came along when you couldn't buy a sack of flour on credit in the State of Mississippi, or many other States. I went to the State Legislature, got on the Ways and Means Committee, and in 60 days had to vote for a sales tax. People threatened the government, marched on it, when they asked me what I did, I said; "I stood around like I was part of the crowd."

Ms. **LAWRENCE**. Thank you. Mr. Chairman.

Mr. **CLARK**. Thank you.

[Statement of Mr. Clark follows:]

TESTIMONY OF
VANCE L. CLARK, ADMINISTRATOR
FARMERS HOME ADMINISTRATION
UNITED STATES DEPARTMENT OF AGRICULTURE
Before the
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS
February 25, 1986

Mr. Chairman, Members of the Committee, I appreciate this opportunity to discuss the farm credit situation as seen from the Farmers Home Administration as we go into another spring planting season. It is no secret to anyone in this room that the farm economy has suffered severe strains in recent years, and our borrowers have not escaped those pressures. In fact, they can be considered more vulnerable than most of the Nation's farmers because of the special eligibility requirements they must meet, such as the inability to obtain credit elsewhere.

For many years, and especially of late, the Farmers Home Administration has gone to unusual lengths to help its farm borrowers who found their financial resources stretched exceedingly thin. We have been accused by some of going too far, with too many, with too much! That situation still exists for many of our borrowers, and, again, we expect to be able to provide the assistance needed to help most of them continue their operations.

We will be able to do this through existing authorities and with some of the new tools provided in the 1985 Farm Bill. We currently see a substantially reduced flow of applications for loans as compared to the same time last year.

For instance, applications for operating loans -- which, as you know, are the mainstay of our farm loans -- have dropped considerably, from about 45,000 at the beginning of February last year to 37,500 at the same time this year. For all farm loans, applications fell from over 68,000 to only 49,000 for the same period, an even sharper decline.

We do not have enough hard information at this point to explain exactly why this activity has slowed. We do have reason to believe, however, that many farmers are finding advance deficiency payments helpful in meeting production costs this year. Whatever the reasons, demand appears to be down from last year, and the evidence is strong that existing funding levels and loan demand are in better balance than in previous years.

I am not suggesting, Mr. Chairman, that every farmer who applies for a loan from the Farmers Home Administration will obtain one. I know of no one who would make that claim. We do believe that we will be able to provide assistance to those farmers and ranchers with a demonstrable chance of success. Our continuing assistance, of course, can only be offered for 1986 if our borrowers can show a positive cash flow.

I mentioned existing authorities a moment ago. Let me expand on that. As you are aware, we have used rescheduling, reamortization, deferral, and subordination of our security position to other lenders quite actively for several years. Those tools were highly successful in helping us keep farmers in business during the restructuring program in 1984-85. We will continue to rely on them when, and where, appropriate, especially in the servicing of delinquent loans.

Probably the most important existing authority available to us is the guaranteed loan program. This Administration firmly believes that guaranteed loans, rather than direct loans, represent the proper form of Government assistance, when such assistance is called for. Guaranteed loans keep the lending activity where it belongs, with the private credit sector, and do not add to the budgetary and deficit burdens.

We have been working with the private agricultural lenders to the extent that more than 2,200 nationwide have become approved lenders with us, allowing quicker handling of the paperwork and streamlining the overall process. Incidentally, since the approved lender program was put in place less than two years ago, almost one-half of the Nation's agricultural lenders have signed up, and to me, that is a fine indication of their willingness to make that program work. We expect more to come on board, especially since we rewrote the guaranteed loan regulations last fall to eliminate a lot of obstacles to lender participation. We can now turn around a guaranteed operating loan in 15 to 30 days compared to 60 to 90 days for a direct loan application.

Although our overall funding level this year is not as high as the year-end level of FY85, we did enter the lending season with a substantial amount of funding available. From the $4 billion originally available, we expect to have $1.7 billion for guaranteed operating loans. This would be the highest funding level ever for that program. Insured operating loans will total $1.6 billion.

Perhaps the most important Farm Bill provision that will be operative this spring is the interest buy-down program. That provides $490 million for a three-year "buy down" of interest rates that would be matched by lenders in the guaranteed loan program. We are authorized to match up to 2 percentage points in interest reduction, which means a farmer could end up with an interest rate up to 4 points lower than the farmer's regular loan rate.

We have put that program on a high priority track. Regulations were published in the Federal Register today, and our field offices will receive the necessary instructions and other materials this week.

Other Farm Bill provisions that will extend our ability to assist farmers this year include broader eligiblity requirements, the home retention provision, conservation easements and the use of mineral rights for loan collateral, to name only some. We are preparing the necessary regulations for those as rapidly as we can.

We have authority to pay for overtime, when necessary, from the revolving fund, but, if we do, we face the possibility of having to furlough employees down the line, before the end of the fiscal year, under the Gramm-Rudman-Hollings mandate. We are monitoring our situation closely and will make adjustments as necessary.

As you can see, Mr. Chairman, we have valuable tools available to us this year. We intend to use them. Yet we need to keep in mind that we are committed to making sound loans that will provide real support to our farmers and yet not become a financial albatross by harvest time. To my mind, we have done too much of that in the past -- and we are committed to not repeating that disservice this year.

We expect a farmer to be able to cash flow his entire debt load to qualify for a loan. That is prudent lending. Delinquent farm loans now due us amount to $8.5 billion, and we are asking the Congress for $2.4 billion this year just to meet the cost of prior years' losses and interest subsidies. We will emphasize graduation to commercial credit for those borrowers clearly able to do so. We will work with all those financially viable farmers we believe we can help. But, Mr. Chairman, we will not be able to take into the direct program every farmer that other lenders would like to remove from their books. We will continue to do what we can while also fulfilling our responsibilities to the Nation's taxpayers.

Thank you. That completes my statement, Mr. Chairman. I will be pleased to answer any questions you or Members of the Committee may have.

ADMINISTRATOR'S POLICY - FARMER PROGRAMS

DENVER - 1985

THIS MEETING IS BILLED AS THE ADMINISTRATOR'S FARM POLICY MEETING, AND WE SPEND 2-1/2 DAYS REVIEWING AND DISCUSSING OUR AGENCY'S ROLE FOR THIS DIFFICULT PERIOD IN OUR NATION'S AGRICULTURAL HISTORY.

WE CAN ONLY SET FORTH BROAD POLICY AT A MEETING SUCH AS THIS. WE HIT ON A FEW SPECIFIC ITEMS THAT NEED CLARIFICATION AND THE CHIEFS, MEETING WITH OUR NATIONAL OFFICE STAFF WILL HAVE AN OPPORTUNITY TO DISCUSS THE NUTS AND BOLTS ISSUES AND SURFACE ITEMS OF CONCERN THAT NEED OUR IMMEDIATE ATTENTION.

AGRICULTURE REMAINS BIG BUSINESS AS YOU KNOW, AND OUR ROLE IN THAT BUSINESS SEEMS TO INCREASE EACH YEAR. AGRICULTURE STILL IS THE NATION'S LARGEST INDUSTRY AND ALSO THE NATION'S LARGEST EMPLOYER. WHEN IT GETS SICK, AS IT IS NOW, THE IMPACT IS FELT THROUGHOUT OUR ECONOMY.

CONSIDERABLE DEBATE CONTINUES ON WHAT THE GOVERNMENT'S ROLE SHOULD BE IN OUR NATION'S ECONOMY. IS THERE NOW OR WILL THERE EVER BE ROOM FOR A FREE MARKET. THERE ARE THOSE THAT ARGUE THAT 50 YEARS OF GOVERNMENT IN AGRICULTURE HAS CREATED MORE PROBLEMS THAN ITS SOLVED. THERE ARE THOSE THAT ARGUE THAT WITHOUT SUCH GOVERNMENT INTERVENTION, WE WOULD BE A WEAK AND FLOUNDERING NATION TODAY.

LESS THAN A YEAR AGO THE FARM CRISIS WAS ON THE BACK BURNER, BARELY ACKNOWLEDGED BY ECONOMISTS AND FEW POLITICIANS. TODAY, IT IS ON THE FRONT PAGE OF EVERY NEWSPAPER IN AMERICA. WILLIE NELSON CONCERTS AND ALL KINDS OF THINGS HAVE HAPPENED TO DRAW MORE ATTENTION, AND MONEY, TO THE FARM CRISIS.

SURELY NONE OF US WOULD DENY THAT WE HAVE A HELLUVA PROBLEM. NOR ARE THE CAUSES REALLY IN DISPUTE: CHRONIC SURPLUSES, LOW CROP PRICES, FALLING LAND VALUES, THE PRESSURE OF HEAVY FARM BORROWING AT HIGH INTEREST RATES AND AS BUSINESS WEEK PUT IT, "... AN EROSION OF EXPORTS CAUSED BY A RELENTLESSLY STRONG DOLLAR." THE REPORT ON, "ECONOMY WIDE IMPACTS OF THE FARM FINANCIAL CRISIS," CONDUCTED BY THE FARM JOURNAL, IOWA STATE UNIVERSITY, UNIVERSITY OF MISSOURI AND WHARTON ECONOMETRIC FORECASTING ASSOCIATES TOLD IT THIS WAY--

QUOTE-

"THE FINANCIAL CONDITION OF U.S. AGRICULTURE IS CRITICAL. THE CONDITION, IF NOT ALTERED BY CORRECTIVE ACTIONS AIMED AT DEBT LOAN OF HIGHLY LEVERAGED FARMERS, IS OF SIGNIFICANT MAGNITUDE TO AFFECT U.S. FINANCIAL MARKETS AND THE PERFORMANCE OF THE NATIONAL ECONOMY." UN QUOTE-

FARMERS WITH DEBT-TO-ASSET RATIOS OF 40 PERCENT AND OVER, HOLD APPROXIMATELY $140 BILLION OF THE $210.8 BILLION OF TOTAL U.S. FARM DEBT.

UNDER THE MOST OPTIMISTIC FARM PROGRAM BEING CONSIDERED, AVERAGE NET FARM INCOME OVER THE NEXT 5 YEARS WILL NOT RAISE ABOVE CURRENT LEVELS.

THERE ARE MANY NUMBERS FLOATING AROUND THAT PROJECT FARM LOAN LOSSES. THESE NUMBERS RANGE FROM $10 BILLION TO $25 BILLION. WE SURELY WILL ENDURE A GOOD 50% OF THAT.

WE ARE TRULY A KEY PLAYER IN THIS BIG AG BALL GAME. HOW WELL WE PLAY THAT GAME, WILL DETERMINE TO A LARGE DEGREE, HOW OUR NATION'S AGRICULTURE WEATHERS THE STORM. WE ARE RECOGNIZED FOR HAVING DONE A GOOD JOB OVER THE YEARS BUT NEVER HAVE WE FACED THE CHALLENGE AND RESPONSIBILITY WE HAVE TODAY - NEVER!

THAT CHALLENGE AND RESPONSIBILITY SURELY SETS OUR PRIORITIES IN THE DAYS IMMEDIATELY AHEAD. I WANT TO SHARE THOSE PRIORITIES WITH YOU.

1. WE NEED TO PUT A HIGH PRIORITY ON FARMER PROGRAMS - IT IS A MUST! THIS MEANS AN ALLOCATION OF MORE FIELD STAFF TIME. THE NEW SERVICING REGULATIONS DEMAND A HIGH PRIORITY. THE DEMAND FOR OUR "LAST RESORT" CREDIT WILL BE VERY INTENSE. THE PRESSURE WILL BE UPON US! AND WE NEED TO BE INOVATIVE AND CREATIVE IN WHAT WE DO - AND HOW WE DO IT.

2. WE MUST CONTINUALLY LOOK FOR NEW PROCESSING AND SERVICING TECHNIQUES THAT WILL SAVE US TIME. I WOULD SUGGEST THAT CONSIDERATION BE GIVEN TO THE ESTABLISHMENT OF LOAN PROCESSING CENTERS SUCH AS THOSE USED IN WISCONSIN LAST YEAR. THIS MAY WORK FOR YOU IN HIGH IMPACT AREAS.

3. WE MUST ESTABLISH AND MAINTAIN GOOD RAPPORT WITH AGRICULTURAL AND COMMUNITY LEADERS. THIS INCLUDES OTHER LENDERS, ADVOCACY GROUPS AND USDA AGENCIES THAT MAY PROVIDE SOME ASSISTANCE. GOOD AND CONTINUOUS PUBLIC RELATIONS JUST HAS TO BE HIGH ON OUR OPERATING LIST.

4. AS I INDICATED BEFORE, PROCESSING TIME IS CRITICAL. COUNTY OFFICES MUST HAVE CONSTANT SUPERVISION BY DISTRICT DIRECTORS DURING THE FIRST 3 OR 4 MONTHS OF THE CROP YEAR. PRA'S AND OMA'S MUST BE CLOSELY INVOLVED, PROVIDING GUIDANCE TO CLERICAL STAFF AND ALSO, MAKING SURE THAT THE COUNTY OFFICES ARE OPERATING IN THE MOST EFFICIENT MANNER. STATE AND DISTRICT DIRECTORS MUST DETAIL PERSONNEL TO HIGH IMPACT AREAS WHENEVER NECESSARY, FROM WHEREVER THEY CAN BE FOUND.

5. GROUP MEETINGS WITH NEW APPLICANTS IN HIGH IMPACT AREAS MAY SAVE TIME. FmHA REQUIREMENTS CAN BE DISCUSSED AND MANY QUESTIONS RESOLVED AT ONE TIME.

6. WE ABSOLUTELY MUST IMPROVE THE QUALITY OF LOANS TO NEW BORROWERS, BOTH DIRECT AND GUARANTEED. WE MUST BE PRUDENT LENDERS! I FIRMLY BELIEVE, THAT THIS CAN BE ACCOMPLISHED WITH CAREFUL OVERSIGHT BY THE DISTRICT AND STATE OFFICE STAFF. AS YOU HAVE HEARD ME SAY BEFORE, LOANS HAVE TO "PENCIL OUT!!" I KNOW YOU CAN MAKE ALMOST ANYTHING PENCIL OUT BY CHANGING THE NUMBERS A LITTLE HERE AND A LITTLE THERE. WHEN I SAY PENCIL OUT, I MEAN THAT WE MUST USE REALISTIC NUMBERS. USE A SHARP PENCIL - NOT A DULL ONE! APPRAISALS MUST BE BASED ON ACTUAL VALUES DETERMINED WITH CURRENT AND COMPARABLE SALES. WE DO NOT CARRY OUT THE INTENT OF OUR PROGRAM BY PREPARING MISLEADING PLANS. THERE CAN'T BE A "HALO" OVER EVERY APPLICATION. WE CAN BE ACCUSED OF PUSHING THE BORROWER DOWN THE ROAD TO FAILURE AND BANKRUPTCY. THEY TRAVEL THAT ROAD WITH FALSE HOPE AND UNREALISTIC EXPECTATIONS. WE MUST BE HONEST IN OUR EFFORTS TO PROVIDE HELP. AS I SAID, LOANS MUST PENCIL OUT!!

7. LET ME DISCUSS SOME OTHER POLICY ISSUES. AS I HAVE SAID BEFORE, I AM NOT SURE ABOUT HOW WE SHOULD USE CFS. I AM SURE, HOWEVER, THAT WE MUST REQUIRE COMPLETE AND CURRENT FINANCIAL STATEMENTS. THEY MUST BE IN A FORMAT THAT IS BETTER ORGANIZED THAN THE OLD FARM AND HOME PLANS.

OUR OLD FARM AND HOME PLAN FINANCIAL STATEMENT IS NOT ADEQUATE FOR EVEN THE SMALLEST OF LOANS. WE MUST HAVE THE ABILITY TO ESTABLISH CASH FLOWS. SOME OPERATIONS NEED MONTHLY CASH FLOWS, SOME QUARTERLY AND A FEW ON AN ANNUAL BASIS. THE FLOW OF CASH MUST BE CAREFULLY PLANNED AND MONITORED IF WE ARE TO EXPECT A REASONABLE CHANCE FOR SUCCESS. WE MUST BE ABLE TO ANALYZE THE PERFORMANCE OF THE PRODUCTION AND FINANCIAL MANAGEMENT OF THE OPERATION PERIODICALLY, SOMETIMES MORE OFTEN THAN YEARLY. A PROFIT AND LOSS STATEMENT IS A MUST FOR ANY BUSINESS OPERATION. CHANGE IN CASH POSITION IS VALUABLE IN MOST OPERATIONS. BORROWERS AND LENDERS MUST KNOW WHAT IS HAPPENING TO THE CASH!! A GOOD FINANCIAL STATEMENT, A PROFIT AND LOSS STATEMENT, A CASH-FLOW PROJECTION AND ANALYSIS ALONG WITH ANY CHANGE IN FINANCIAL POSITION ARE "MUST" ITEMS IN PROVIDING SUPERVISED CREDIT. WITHOUT A DOUBT - WE WILL BE MAKING SOME TYPE OF CHANGE PROVIDED CONGRESS DOES NOT COMPLETELY PROHIBIT US. ADEQUATE FARM RECORDS ARE A PART OF FINANCIAL MANAGEMENT. OPERATORS THAT CANNOT OR WILL NOT PROVIDE RECORDS, MUST BE DENIED CREDIT.

8. LIMITED RESOURCE LOANS ARE SUBJECT TO CONTROVERSY. IT IS MY OPINION THAT THIS PROGRAM PROBABLY PROVIDES MORE REALISTIC ASSISTANCE THAN ANYTHING WE CAN OFFER. LIKE ANY OTHER SPECIAL ASSISTANCE, WE MUST USE THE AUTHORITY CAREFULLY AND MONITOR IT CLOSELY. IF LOWER INTEREST

RATES ARE NEEDED TO PROVIDE CASH FLOW, I EXPECT YOU TO USE THE LIMITED RESOURCE RATES ON THOSE LOANS TO KEEP THOSE GOOD, HARD-WORKING, CONSCIENTIOUS FARM FAMILIES ON THE FARM.

9. IN CASES WHERE WE ARE UNABLE TO FIND ANY REASONABLE SOLUTION TO A FAILED OR FAILING OPERATION AND WE MUST LIQUIDATE THE ACCOUNT, LETS BE COMPASSIONATE, UNDERSTANDING HUMAN BEINGS AND BE AS HELPFUL AS WE CAN. THIS INCLUDES LEAVING THE FAMILY WITH A HOME IF POSSIBLE. FOR ELDERLY FARMERS, WE SHOULD EXPECT TO LET THEM LIVE OUT THEIR TIME IN THAT HOME. DON'T QUIBBLE ABOUT THE SIZE OF THE HOUSE. WE WOULD EXPECT THE HOMES TO BE GENERALLY CONSISTENT WITH THOSE IN THE AREA BUT EVEN THAT, IS NOT TERRIBLY IMPORTANT WHEN WE EVALUATE THE CONSEQUENCE OF PUTTING SOMEBODY OUT IN THE STREET. WE WILL PROVIDE YOU WITH THE AUTHORITY TO DEAL WITH THIS ISSUE IN A FEW WEEKS.

10. AS YOU KNOW, GUARANTEED LOANS ARE THE DIRECTION WE EXPECT TO GO. I WHOLEHEARTEDLY SUPPORT THIS CHANGE AND SEE IT AS THE ONLY HOPE FOR FmHA OPERATING IN A RESPONSIBLE MANNER. I DON'T HAVE TO TELL YOU - WE SIMPLY DO NOT HAVE THE STAFF TO HANDLE ANY MORE DIRECT LOANS.

WE WILL CONTINUE TO PICK UP A FEW DIRECT LOANS, AS WE MAKE THE TRANSITION BUT WE SHOULD BE CLEARING SOME ACCOUNTS OUT OF THE SYSTEM, SO I EXPECT TO SEE OUR DIRECT LOAN PORTFOLIO TO REMAIN FAIRLY CONSTANT AT THE OUTSET WITH A GRADUAL DECLINE IN NUMBERS AS WE MOVE FORWARD IN THE TRANSITION PERIOD. AS I HAVE INDICATED BEFORE, CONGRESS GENERALLY SUPPORTS THIS CONCEPT, SO I DON'T EXPECT ANY MAJOR ROAD BLOCKS.

IT IS EXTREMELY IMPORTANT THAT WE REMOVE OUR AGENCY OUR --"IN HOUSE"-- ROAD BLOCKS TO GUARANTEES. I AM SPEAKING ABOUT OUR INTERNAL TURF BATTLE AND RESISTANCE TO GUARANTEES. IT APPEARS THAT WE STILL NEED A MAJOR "ATTITUDE ADJUSTMENT" AND YOU STATE DIRECTORS AND CHIEFS MUST WORK HARDER ON THAT ADJUSTMENT. THAT IS A MARCHING ORDER AND I EXPECT YOUR COOPERATION!

WE MUST IMPROVE OUR WORKING RELATIONSHIP WITH OTHER LENDERS. I AM BEGINNING TO HEAR MORE AND MORE REQUESTS FROM LENDERS FOR INFORMATION ABOUT OUR GUARANTEED PROGRAM. I KNOW MOST OF YOU HAVE SPENT CONSIDERABLE TIME WITH LENDERS, BUT WE NEED TO SPEND MORE TIME IN TRAINING AND PROVIDING INFORMATION TO THEM ABOUT THE PROGRAM AND HOW IT WORKS. WE ARE PREPARING AN AUDIO TRAINING TAPE AND WORKBOOK FOR YOUR USE IN WORKING WITH OTHER LENDER'S LOAN OFFICERS. WE ARE ALSO PREPARING A VIDEO TAPE FOR PROMOTIONAL PURPOSES. WE EXPECT THE AUDIO-TRAINING PROGRAM TO BE AVAILABLE BY FEBRUARY.

THIS EFFORT WILL SAVE US COUNTLESS HOURS OF TIME AND CERTAINLY LOWER THE FRUSTRATION LEVEL AS WE PROCESS WHAT I EXPECT TO BE LARGE NUMBERS OF REQUESTS FOR GUARANTEES.

AS YOU KNOW, WE MUST PROVIDE A FAST TURN AROUND ON REQUESTS FOR GUARANTEES FROM APPROVED LENDERS. THIS CAN BE DONE BUT IT WILL TAKE GOOD ORGANIZATION OF THE PROJECT. IT MAY BE HELPFUL FOR YOU TO PROVIDE SOME GUIDELINES TO YOUR COUNTY OFFICE STAFFS AS TO WHAT SHOULD BE REVIEWED IN AN APPLICATION. IN MY OPINION, THERE ARE ONLY A FEW KEY ITEMS TO CHECK.

A. COMPLETE APPLICATIONS -- OF COURSES -- INCLUDING ADEQUATE SECURITY FOR THE LOAN.

B. REALISTIC APPRAISALS -- CONTAINING --
C. REALISTIC OPERATING PLANS.

D. REALISTIC REPAYMENT SCHEDULES.

IT APPEARS TO ME THAT THIS REVIEW CAN BE ACCOMPLISHED IN SHORT ORDER. THE PROPOSAL IS FEASIBLE OR IT'S NOT. YOUR STAFF MUST BE PREPARED TO MAKE THAT DECISION QUICKLY. LETS BE PROFESSIONALS!

SEVERAL PROPOSALS FOR MAJOR CHANGES IN THE GUARANTEED PROGRAM ARE BEING PRESENTED TO US AND TO CONGRESS.

WE ARE CAREFULLY REVIEWING THOSE PROPOSALS FOR CHANGES THAT MAKE GOOD SENSE. KEEP IN MIND THAT GUARANTEES OFFER A WAY TO HELP BOTH TROUBLED BANKS AND FARMERS. WE MUST MAKE A CONSCIENTIOUS EFFORT TO PROVIDE RESPONSIBLE SUPPORT TO THE FARM CREDIT NEEDS OF RURAL COMMUNITIES. MUCH RIDES ON OUR DESIRE AND ABILITY TO PERFORM IN THIS IMPORTANT AREA.

11. WHETHER WE LIKE IT OR NOT, WE ARE BECOMING A MANAGER OF A SUBSTANTIAL AMOUNT OF FARM REAL ESTATE. WE CAN EXPECT THE NUMBER TO INCREASE. WE WILL NO DOUBT CONTINUE TO HAVE RESTRICTIONS ON THE SALE OF INVENTORY PROPERTY. THERE IS NO WAY WE CAN PERMIT OURSELVES TO BE THE MARKET LEADER IN THE SALE OF THAT PROPERTY. THAT LEAVES US WITH FEW

CHOICES. WE WILL BE EXPECTED TO PROVIDE REASONABLE MANAGEMENT OF THE GOVERNMENT'S PROPERTY. MANAGEMENT CONTRACTS APPEAR TO BE A VERY GOOD TOOL. OUR PILOT PROJECT IN MISSOURI LOOKS PRETTY GOOD. IN MY JUDGEMENT, WE SHOULD BE TRYING TO GET RECOGNIZED PROFESSIONAL MANAGERS TO DO THIS JOB FOR US, RECOGNIZING THAT WE MUST USE AUTHORIZED PROCUREMENT METHODS TO ACQUIRE THESE SERVICES AND DO A MONITORING JOB. WE ARE HANDLING THE MISSOURI CONTRACT IN THE NATIONAL OFFICE AND BELIEVE THIS TO BE THE MOST PRACTICAL METHOD OF HANDLING THIS PARTICULAR TYPE OF CONTRACT.

WE MAY BE ABLE TO KEEP SOME PROPERTY OUT OF INVENTORY BY PROVIDING FOR SETTLEMENT WITH AGREEMENT FOR WRITE-OFFS AND RELEASE OF LIABILITY WHEN THE BORROWER SELLS THE PROPERTY. WE ARE WORKING ON THIS CONCEPT.

12. OPERATION REVIEWS BY DISTRICT DIRECTORS AND STATE OFFICE STAFFS ARE A MUST. WE MUST BE AWARE OF OUR WEAKNESSES AND MUST MOVE PROMPTLY TO CORRECT THEM. WE MUST BE "AHEAD" OF OUR REGULATORS, THE OFFICE OF INSPECTOR GENERAL. I WILL BE ASKING OUR COORDINATED ASSESSMENT REVIEWERS TO CAREFULLY CHECK YOUR OPERATION REVIEWS. THIS IS A VERY IMPORTANT PART OF ORGANIZATION MANAGEMENT AND CERTAINLY IS A MUST IN AN ORGANIZATION PROVIDING CREDIT TO HIGH-RISK BORROWERS. WE CAN NO LONGER OVERLOOK THIS IMPORTANT MANAGEMENT TOOL. YOU CAN EXPECT TO HEAR MORE FROM ME ON THIS MATTER.

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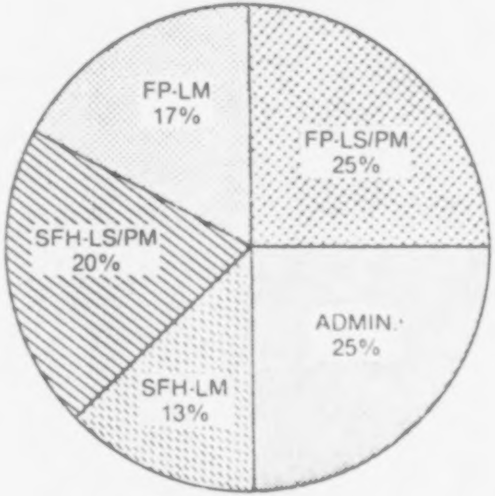
Attachment F
Page 3

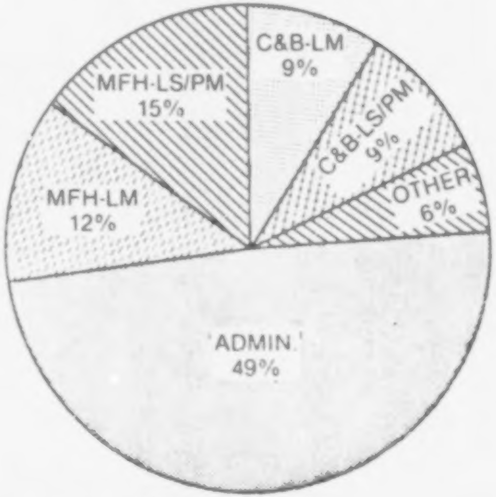
FY 1984 National Averages

County Office



Summary	
LM	30%
LS/PM	45%
Admin.	25%
	100%

District Office



Summary	
LM	21%
LS/PM	24%
Other	6%
Admin.	49%
	100%

Data Source: Prepared by FPAD & MISD. Based on RMS 4 and 11.

13. TRAINING IS AN ONGOING TASK AND MUST BE ACCOMPLISHED WHEN AND WHERE NEEDED. I KNOW IT TAKES TIME, BUT WE CAN'T EXPECT OUR DISTRICT AND COUNTY OFFICES TO FUNCTION EFFECTIVELY AND EFFICIENTLY IF THEY ARE NOT PREPARED. TRAINING OF COUNTY OFFICE STAFFS IS PRIMARILY A DISTRICT DIRECTOR RESPONSIBILITY WITH SUPPORT FROM THE STATE OFFICE STAFF. OPERATION REVIEWS ARE AN EXCELLENT TOOL TO IDENTIFY TRAINING NEEDS. DISTRICT DIRECTORS AND PRA'S MUST CONTINUOUOUSLY IDENTIFY AND RESPOND TO THE TRAINING NEEDS OF THE COUNTY OFFICES. THESE NEEDS MUST BE RESPONDED TO QUICKLY. I CAN THINK OF NOTHING MORE FRUSTRATING THAN BE WORKING DAY AND NIGHT TO DO A JOB I DON'T UNDERSTAND AND I HAVE BEEN DOING A BIT OF THAT MYSELF THESE PAST 3 MONTHS. WE SIMPLY MUST BE ON TOP OF OUR TRAINING NEEDS AND RESPOND AS NEEDED. OUR NATIONAL OFFICE STAFF CAN HELP YOU WITH ON-SITE TRAINING OR CAN PREPARE TRAINING AIDS FOR YOUR USE. BE AWARE OF YOUR NEEDS. ASK FOR HELP IF YOU NEED IT. LET'S DO EVERYTHING POSSIBLE TO ASSURE THAT OUR HARD-WORKING FIELD STAFF DOESN'T HAVE TO DO A JOB OVER BECAUSE THEY WERE NOT PREPARED FOR THE TASK IN THE FIRST PLACE.

PRODUCTIVE TRAINING TAKES GOOD PLANNING, GOOD MATERIAL, APPROPRIATE TECHNIQUES AND GOOD TEACHERS.

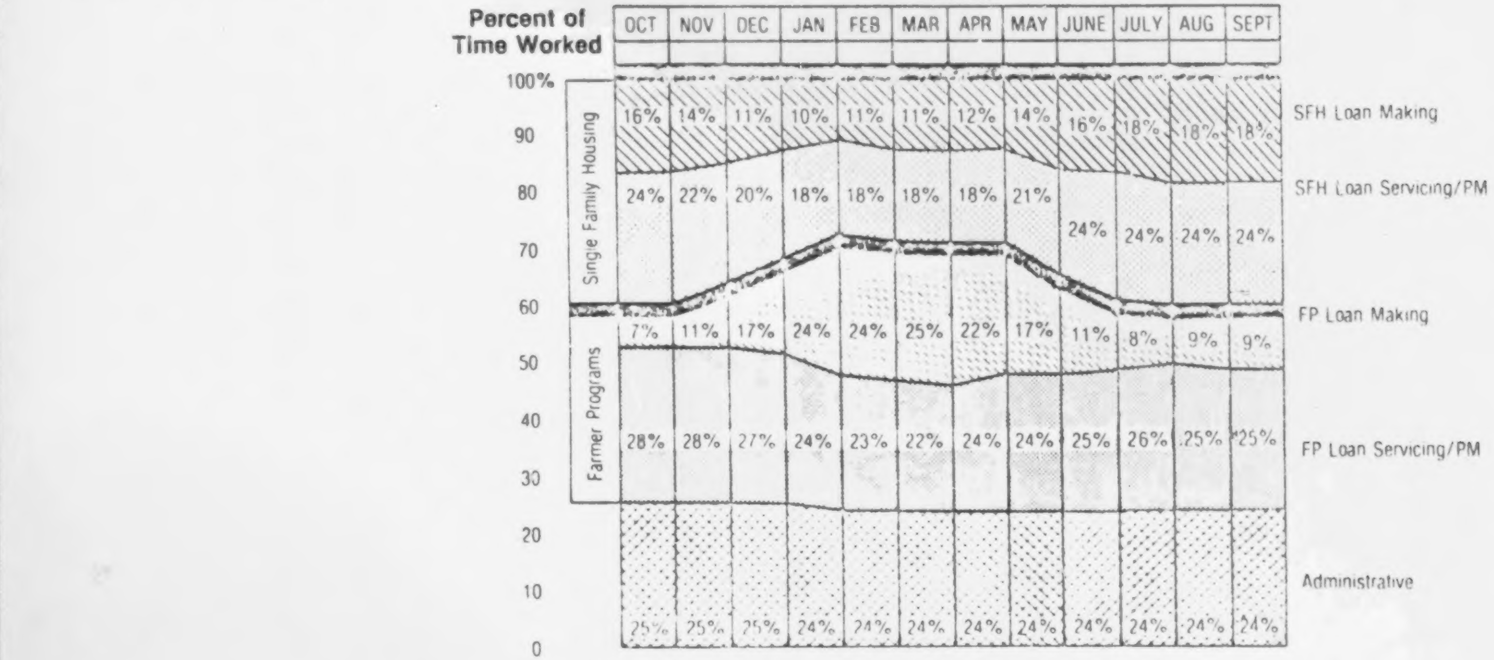
WE MUST INTENSIFY OUR TRAINING EFFORTS.

FmHA AN No. 1257([illegible]451)
Attachment F
Page 1

Farmers Home Administration: Use of Employee Time

NATIONAL AVERAGE: County Office

FY-1984



Data Source Prepared by BMS Staff. Based on BMS Reports 4 and 11.

14. WE HAVE BEEN EXPANDING OUR CONTRACTING ACTIVITY WHEREVER FEASIBLE. CONTRACTING IS PROBABLY OUR ONLY RELIABLE SOURCE OF ADDITIONAL HELP. CONTRACTING IN ITSELF IS SOMETHING THAT MUST BE CAREFULLY MANAGED. CONTRACTS MUST BE CAREFULLY PREPARED AND THE CONTRACTORS MUST BE MANAGED. WE MUST USE CONTRACTORS ONLY FOR PURPOSES AUTHORIZED IN SPECIFIC CONTRACTS. I KNOW THE TEMPTATION IS GREAT TO TAKE ANYBODY YOU CAN FIND AND GET THE JOB DONE. DO NOT USE A CONTRACTOR TO DO A TASK NOT SPECIFICALLY SET FORTH IN THE CONTRACT. YOU MUST KNOW THAT THE CONTRACTOR IS QUALIFIED AND YOU MUST KNOW THAT THE CONTRACT IS SATISFACTORILY CARRIED OUT. CONTRACTING IS A VALUABLE TOOL BUT IT TAKES CAREFUL MANAGEMENT. TO DO OTHERWISE WILL CAUSE US TO LOSE OUR CONTRACTING AUTHORITIES.

15. I NEED TO DISCUSS THE SERVICING REGULATIONS, PARTICULARLY THOSE THAT DIRECT OUR HANDLING OF ACCOUNTS IN DEFAULT. AS YOU KNOW, WE HAVE ALWAYS HAD THE AUTHORITY AND RESPONSIBILITY TO WORK WITH THOSE BORROWERS HAVING A REASONABLE CHANCE OF SUCCESS. AS YOU KNOW THE COURTS DETERMINED THAT WE WERE NOT PROPERLY HANDLING OR ADEQUATELY CONSIDERING THOSE AUTHORITIES IN MAKING OUR DECISIONS. WE NOW HAVE A CONCISE STATEMENT OF SERVICING OPTIONS THAT WE MUST USE. THE ATTITUDE WITH WHICH WE CONSIDER THOSE OPTIONS WILL DETERMINE WHETHER WE CAN CONTINUE WITHOUT FURTHER DIRECTION FROM THE COURTS AND/OR CONGRESS.

FmHA AN No. 1257 (1951)
Attachment E

Business and Industry Program Management
and Servicing Goals

State Office	Delinquency Goals for 3/31/85 in No. of Borrowers Not to Exceed	Accomplishment of Goals Above or Below	Delinquency as of 6/30/85	Delinquency Goals for 6/30/86 in No. of Borrowers Not to Exceed
			Number	
Alabama	19	-2	17	14
Alaska	1	+1	2	1
Arizona	5	0	5	3
Arkansas	15	+5	20	15
California	7	-2	5	3
Colorado	9	+5	14	9
Del/Md	2	+1	3	2
Florida	3	-1	2	1
Georgia	10	+8	18	12
Hawaii	2	+1	3	2
Idaho	6	0	6	4
Illinois	9	+1	10	7
Indiana	7	0	7	5
Iowa	6	+1	7	5
Kansas	4	+4	8	5
Kentucky	12	+1	13	10
Louisiana	50	+8	58	40
Maine	2	-1	1	1
Mass/Conn/RI	3	+1	4	3
Michigan	13	-1	12	9
Minnesota	18	-2	16	13
Mississippi	17	-4	13	10
Missouri	4	+3	7	4
Montana	6	+3	9	6
Nebraska	4	+2	6	4
New Jersey	2	-1	1	1
New Mexico	4	0	4	3
New York	20	+3	23	16
N. Carolina	21	-3	18	15
N. Dakota	18	+5	23	20
Ohio	12	-1	11	9
Oklahoma	22	+2	24	19
Oregon	6	0	6	5
Pennsylvania	4	+5	9	6
Puerto Rico	10	+9	19	15
S. Carolina	15	-4	11	9
S. Dakota	12	+6	18	16
Tennessee	20	-3	17	14
Texas	30	+8	38	30
Utah/Nev.	8	+1	9	7
VT/N.H./V.I.	10	+4	14	11
Virginia	3	-1	2	1
Washington	3	+1	4	3
W. Virginia	12	+8	20	15
Wisconsin	19	+3	22	18
Wyoming	4	+3	7	5
Total	489	+77	566	426

FULL CONSIDERATION OF THOSE OPTIONS RELATED TO RESCHEDULING AND DEFERRALS MEANS APPLYING THE PENCIL. WE CANNOT SHOOT FROM THE HIP IN MAKING THESE DIFFICULT AND IMPORTANT DECISIONS. FARMERS ARE ENTITLED TO AND MUST BE GIVEN A FULL AND HONEST EVALUATION. REJECTIONS MUST BE BASED ON SOUND AND COMPLETE ANALYSIS. DUE PROCESS MUST BE PROVIDED THROUGH OUR APPEAL SYSTEM. TO DO LESS IS A BLATANT VIOLATION OF THE FUNDAMENTAL PURPOSE OF OUR ORGANIZATION AND THE BASIC PRINCIPLES OF OUR SYSTEM OF GOVERNMENT WHICH REQUIRES THAT NO ONE BE DEPRIVED OF PROPERTY WITHOUT THE DUE PROCESS.

DON'T MISUNDERSTAND WHAT I AM SAYING. AS I HAVE SAID BEFORE, WE CANNOT KEEP EVERYONE IN BUSINESS BUT WE MUST BE DAMN SURE WE KNOW WHAT WE ARE DOING WHEN WE PUT A FAMILY OUT OF BUSINESS.

IF AND WHEN IT BECOMES NECESSARY TO HELP A FAMILY TO MOVE TO ANOTHER WAY OF LIFE, WE MUST BE COMPASSIONATE AND CONSIDERATE. TRY TO END THAT TRANSACTION WITH A FRIEND, NOT AN ENEMY.

16. IN SUMMARY, LET ME SAY THAT OUR RESPONSIBILITY IS NOT ANY LESS AND OUR WORK ANY EASIER. WE HAVE AN EXTREMELY DIFFICULT JOB TO DO AS WE CARRY OUT OUR ROLE IN PROVIDING HIGH-RISK CAPITAL TO AMERICAN AGRICULTURE.

FmHA AN No. 1257 (1951)
Attachment E

The methodology used in establishing goals for individual State Offices includes:

1. The available and projected staffing of the State Office as compared to the case load complexity.

2. Staff B&I experience as related to the program, whether as combined Community and Business Program, or whether a B&I Chief of the Business and Industry Program.

3. The type of portfolio and the economics involved in the State.

4. State delinquency as compared to national delinquency rate.

5. The complexities of the program and the loan servicing authority that has been delegated to the State Office.

6. Demographic and geographic considerations as they relate to State Office locations and FmHA regulation requirements and servicing responsibilities.

Recommended actions within the State to meet the established goals include:

1. Assign sufficient staff to accomplish servicing actions.

2. Confine appropriate staff to specific servicing activities.

3. "Earmark" definite travel funds to accomplish accelerated servicing field trips, with an overall goal of spending 75 percent of time on servicing.

4. Establish realistic objectives, tasks and scheduling to work toward meeting and exceeding the delinquency control goals for your State.

5. Encourage, require and accommodate additional commercial lending and servicing training.

6. Expedite the lender's processing of loans in bankruptcy or liquidation to maximize FmHA's recovery.

7. Required regular field trips, lender interviews and site inspections by Chief and/or Specialist on problem and delinquent accounts.

OUR RESPONSIBILITY IS MUCH LARGER THAN PROVIDING HELP TO INDIVIDUAL FARMERS, ALTHOUGH THAT IS EXTREMELY IMPORTANT. WE PLAY THE KEY ROLE IN PROVIDING A FALL-BACK PLAN FOR AGRICULTURAL CREDIT WHEN THINGS GET TOUGH. WE PROVIDE ANOTHER CHANCE FOR MANY PEOPLE. WE KEEP RURAL COMMUNITIES ALIVE. THIS MEANS, SCHOOLS, HOSPITALS, MERCHANTS ON MAIN STREET--THE LIST CAN GO ON AND ON.

WE MUST DO THIS JOB CAREFULLY AND WELL, OR THE CONSEQUENCES WILL BE DISASTROUS. TO BE SUCCESSFUL IN THIS EFFORT WIL REQUIRE THE FINEST KIND OF MANAGEMENT. AS I HAVE SAID BEFORE IN ST. LOUIS, WE NEED ALL OF THE MANAGEMENT MUSCLE WE CAN FIND!! HIGH PRIORITY MUST BE GIVEN TO THE NEEDS OF THE FARMERS!! PERCEPTION CAN MAINTAIN A HIGH LEVEL OF CONFIDENCE. WE MUST BE ON TOP OF THE SITUATION. STATE DIRECTORS AND FARMER PROGRAMS STAFF MEMBERS MUST KNOW WHAT IS GOING ON, BOTH IN AND OUTSIDE OF FmHA. WE CANNOT AFFORD TO BE BLIND-SIDED ANYWHERE OR ANYTIME. WORK WITH AGRICULTURAL GROUPS INCLUDING THE ADVOCACY GROUPS. THE BEST DEFENSE IS A GOOD OFFENSE. TALK TO PEOPLE. DO EVERYTHING POSSIBLE TO KEEP THE PUBLIC FULLY INFORMED ABOUT WHAT WE ARE TRYING TO DO. IF YOU HAVE A CONTROVERSIAL EMPLOYEE IN A FIELD OFFICE AND THEY

FmHA AN No. 1257 (1951)
Attachment E

BUSINESS AND INDUSTRY PROGRAM MANAGEMENT AND SERVICING GOALS THROUGH JUNE 30, 1986

Introduction

The B&I loan program is designed to create and sustain employment and contribute to the economic environment in rural areas through the guarantee to lenders of loans for business and industry. This purpose is achieved by bolstering the existing private credit structure through guarantee of quality loans which will provide lasting community benefits. It is not intended that the guarantee be used for marginal or substandard credit or to bail out lenders having such loans. The program enables lenders of limited lending authority or long-term cash liquidity needs to make sound loans of greater size or longer terms than they otherwise could. It also provides the borrower an avenue for negotiation of favorable interest rates with the lender. With these purposes and facts in mind, the following goals are established.

History

See page two of this attachment for program trends and comparisons, FY 1981 to June 30, 1985.

Loan Servicing and Supervision

Business and Industry loan delinquency rates as of June 30, 1985, decreased nationally by 0.8 percent over the same period one year ago. We still need to improve servicing efforts. We realize this was a period of substantial business and industry financial realignment affecting the volume of qualified applications for B&I guarantees as well as their cash flow generation for debt servicing. The B&I portfolio of guarantees has dropped in numbers and, consequently, contributes negatively to servicing results as a percentage. Bearing these factors in mind, the attached table shows:

1. The number of delinquent borrowers as the March 31, 1985 goal.

2. The results of effort toward the 1985 goal in terms of an increase or decrease in delinquent loan numbers.

3. The number of delinquent borrowers as of June 30, 1985.

4. An estimated goal for June 30, 1986, for number of delinquent borrowers.

CONTINUE TO CREATE A PUBLIC STIR, REMOVE THEM IF NECESSARY TO MAINTAIN PEACE AND HARMONY IN THE COMMUNITY. THIS IS NOT THE TIME FOR FOOLISH LOYALTY. WE ABSOLUTELY MUST PUT FORTH AN IMAGE OF A COMPASSIONATE, CARING ORGANIZATION. IF WE CAN DO THAT, WE WILL MAKE IT THROUGH THIS DIFFICULT PERIOD PROUDLY AND WITH FLYING COLORS.

I LOOK FORWARD TO WORKING CLOSELY WITH YOU. WE HAVE A BIG JOB! I KNOW WITH YOUR LEADERSHIP WE CAN DO THAT JOB IN A WAY THAT WILL ONCE AGAIN CAUSE FmHA TO BE RECOGNIZED AS A FRIEND IN TIME OF GREAT NEED.

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Attachment D

COMMUNITY PROGRAMS MANAGEMENT AND SERVICING GOALS
THROUGH JUNE 30, 1986

WATER AND WASTE DISPOSAL DELINQUENCY GOALS

DATA FROM REPORT CODE 616	DELINQUENCY STATUS AS OF 6/30/85	ESTABLISHED GOALS FOR YEAR ENDING 6/30/86
ALABAMA	8	6
ARIZONA	2	0
ARKANSAS	1	1
CALIFORNIA	2	2
COLORADO	2	0
DELAWARE	0	0
MARYLAND	0	0
FLORIDA	0	0
GEORGIA	4	0
IDAHO	2	0
ILLINOIS	6	2
INDIANA	17	11
IOWA	1	0
KANSAS	1	0
KENTUCKY	3	2
LOUISIANA	8	3
MAINE	3	0
MASSACHUSETTS	0	0
CONNECTICUT	0	0
RHODE ISLAND	0	0
MICHIGAN	1	0
MINNESOTA	0	0
MISSISSIPPI	9	9
MISSOURI	3	3
MONTANA	1	0
NEBRASKA	0	0
NEW JERSEY	0	0
NEW MEXICO	2	0
NEW YORK	0	0
NORTH CAROLINA	0	0
NORTH DAKOTA	0	0
OHIO	0	0
OKLAHOMA	8	3
OREGON	2	0
PENNSYLVANIA	14	6
SOUTH CAROLINA	1	0
SOUTH DAKOTA	1	0
TENNESSEE	11	10
TEXAS	8	8
UTAH	0	0
NEVADA	1	0
VERMONT	0	0
NEW HAMPSHIRE	1	0
VIRGIN ISLANDS	0	0
VIRGINIA	3	3
WASHINGTON	2	0
WEST VIRGINIA	9	8
WISCONSIN	1	1
WYOMING	0	0
ALASKA	0	0
HAWAII-AM.SAMOA	0	0
W PACIFIC TERR.	0	0
PUERTO RICO	0	0
NATIONAL TOTAL	138	78

United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1257 (1951)

September 11, 1985

SUBJECT: FmHA Program Management and Servicing Goals
Through June 30, 1986

TO: All State Directors, FmHA

Purpose/Intended Outcome

This AN establishes goals for FmHA's loan and grant servicing and loan making activities for the period July 1, 1985 - June 30, 1986. It also sets forth specific lending and servicing policies for FmHA's various loan programs.

Comparison with Previous AN

This AN replaces FmHA AN 1050 (1951) dated July 23, 1984 which expired on June 30, 1985. It differs from previous issuances in that June 30 is now established as the date for setting goals and measuring results. June 30 was chosen at the recommendation of State Directors and program managers in the National Office because it coincides with the period covered by FmHA's Performance Appraisal System.

Another added and important feature is the requirement for both National Office and State Office managers to review goals at the midpoint of the year to determine if changes are needed to reflect unanticipated realities which occur subsequent to the time goals were set. An example last year was the announcement and implementation of the Administration's Farm Initiatives which caused us to switch priorities and program emphasis during the year.

Implementation Responsibilities

State Directors and Program Chiefs should immediately review the goals which have been set and make plans for training, implementation, and measuring the results of these efforts. This should be done using management plans, training schedules, and performance elements and standards.

EXPIRATION DATE: September 30, 1986

FILING INSTRUCTIONS: Preceding FmHA Instruction 1951-A

FmHA Farmers Home Administration is an Equal Opportunity Lender
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

Servicing and Supervision

These functions will continue as our top priority in program management. State Directors are to make the most effective and efficient use of our personnel resources and approved contracting services as we move to make even further reductions in delinquency rates for most of our loan portfolio. FmHA has a loan portfolio of $62.7 billion with approximately $7.3 billion being delinquent, as of March 31, 1985. Proper loan servicing also means borrower counseling, proper accounting for security property, financial analyses, interest credit renewals, and consideration for graduation.

Loan Making

FmHA has been authorized to administer a wide range of financial assistance programs. Our mission is to serve as a temporary source of supervised credit and technical support for rural communities, improving their farming enterprises, housing conditions, essential community facilities and employment/economy-boosting business and industrial activities until they are able to qualify for private sector financing. Each State Director is expected to use available program funds, personnel resources, and approved contract services in line with sound loan making practices to provide financial assistance to rural areas. This requires coordinating the various programs to compensate for cyclic processing demands of some programs as well as seasonal construction activity. With the majority of Agency resources being expended in servicing and supervision functions, you must carefully plan and monitor the use of all available resources. This will help assure that loan making activities are accomplished in an efficient and timely manner for all of our program areas and that available program funds are effectively utilized.

While the seasonal aspects of farmer program loans or loans for construction of housing and community facilities will dictate some peaks and valleys in processing activities, you are cautioned not to take the approach of emphasizing one activity at a time. A balanced loan program requires both appropriate and planned loan making and servicing activities each month in each program!

Environmental reviews must be more fully integrated into the loan making process. Environmental assessments are a valuable tool in reaching decisions on general project location, site selection and layout, and selection of preapplications for further processing. FmHA field staffs have increased their personal knowledge of the environmental review process and the issues involved. Each State now has developed a Natural Resource Management Guide. By using this Guide coupled with our increasing staff expertise, we are in a position to screen out quickly those environmental issues needing emphasis and those which can be internally documented by FmHA staff as inconsequential.

Property Management

Our inventory numbers are continuing to grow at a modest rate in Single Family Housing, and significantly in farm properties. When operating as a lender of last resort, it is expected that some borrowers will not achieve their initial objectives. When this happens, we should act quickly to ensure that any resources (land, housing, equipment, livestock, etc.,) that the borrower has pledged as security are handled in a timely and responsible manner. FmHA Instructions allow various means of accomplishing this objective through sales or leases. A successful program of property management uses a diverse approach coordinated with various elements of the private sector such as contract servicing in accordance with OMB Circular A-76, Performance of Commercial Activities.

Farm Credit Initiatives

We recognize the tremendous effort put forth by everyone in FmHA to implement the Farm Credit Initiatives. These initiatives as well as anticipated Coleman/Block repercussions and appeals will continue to occupy too much of our time. You are urged to make use of software programs that were provided for use with the IBM Displaywriter and Sharp PC 1500 to expedite servicing actions.

Use of Resources

In order to accomplish these goals State Directors should make use of RMS data which is available on a monthly basis. This will enable you to monitor trends in the use of resources and time management. We had previously made blank forms available for this purpose and more can be obtained from the National Office. The RMS Summary for FY 84 is attached for information. We are currently updating the FY 85 charts and trust that you are doing the same for each of your offices.

Goals

Attached to this AN by program area are delinquency reduction goals and guidance in loan making, servicing, and property management activities. They are "stretch" goals but are attainable through the use of sound management practices and FmHA servicing and supervision instructions. If we approach the task with a positive attitude of how best to ensure that our borrowers are successful our objectives can be reached! The following attachments are included:

Attachment	Program
A	Farmer Programs
B	Single Family Housing
C	Multiple Family Housing
D	Community Programs
E	Business and Industry Loans
F	RMS Summary FY 84

Conclusion

We will be monitoring your progress in achieving the goals set forth herein. We expect you to monitor the activities of the offices in your State, and to identify high delinquency and other problem areas, and then to utilize available personnel and financial resources to achieve those goals.

Good luck to you and your staff as we embark on another exciting busy year working to serve our farmers and others in Rural America.

Vance L. Clark

VANCE L. CLARK
Administrator

Attachments

FmHA AN No. 1257 (1951)
Attachment A

FARMER PROGRAMS DELINQUENCY, SERVICING, LOAN MAKING AND PROPERTY MANAGEMENT GOALS
Through June 30, 1986

Introduction

During this period of distressed economic conditions in agriculture, we are being called on to dedicate ourselves to provide the best possible supervision, servicing, and loan making services to new farm applicants and borrowers. Borrowers must be assured that we understand their problems and that we will work with them on a timely, fair, and business like basis using all of our authorities to help them when their farming operations have a reasonable chance of success.

History

See page two of this attachment for the Farmer Program trends from 1981 through 1985. This chart includes trends for the number of borrowers behind schedule, loan obligations, special servicing actions, farmers who discontinued their operations and inventory.

Delinquency Goals

The 1986 delinquency reduction goals are found on Attachment A, page eight. These goals recognize borrowers' current financial difficulties and, therefore, reflect a very modest reduction in the large number of Farmer Programs' delinquent dollars. In order to give credit for the delinquent dollars collected, your goals this year are in dollars rather than the number of borrowers delinquent. It is necessary that we reverse the increasing trends of past years. Our Farmer Programs' delinquency record for 1982, 1983, 1984, and 1985 as of June 30, of each year is as follows:

Percent of Active Borrowers Delinquent
United States
as of 6/30

Program	1982	1983	1984	1985
OL	29	32	36	35
FO	16	20	23	25
SW	19	26	29	32
EM	35	44	42	44
EE	36	44	47	48

FARMERS HOME ADMINISTRATION FARM PROGRAM

PROGRAM TRENDS AND COMPARISONS FY 1981 TO DATE

	FY 1981		FY 1982		FY 1983		FY 1984		FY 1985 To 6/30	
I. # of Borrowers (EOY)*			270,209		271,099		273,197		271,943	
# behind schedule*			66,470(25%)		77,111(28%)		80,985(29%)		88,943(32%)	
$ (mil.) outstanding (EOY)	23,649		24,394		24,475		25,772		28,011	
II. Loan (Grant) Obligations	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.
- Operating - Insured	29,496	823	44,370	1,204	56,072	1,685	59,202	1,960	69,482	3,271
- Guaranteed	342	25	549	47	488	51	965	111	7,344	826
- Ownership - Insured	11,693	795	10,189	658	10,088	729	8,456	659	6,331	548
- Guaranteed	160	18	41	4	110	20	261	42	330	51
- Emergency Disaster	138,990	5,112	42,863	2,173	8,771	566	34,997	1,051	12,543	432
- Economic Emergency - Ins.	26,636	1,161	0	0	0	0	4,061	309	0	0
- Guar.	712	85	0	0	0	0	1,709	290	0	0
- Other	2,288	55	1,394	28	862	20	744	14	423	8
· Total	210,317	8,074	99,406	4,114	76,391	3,071	110,425	4,438	96,453	5,136
III. Special Servicing Actions*										
Deferrals			3,608		2,925		2,840		3,756	
Resched, Consol, or Reamortize			12,689		30,804		30,204		99,087	
Subordinations			29,944		31,293		31,568		21,170	
Total			46,241		65,022		64,612		124,013	
IV. Farmers Discontinuing Operations*										
Foreclosures (Fcl)			844		615 742		:FmHA: 356 :Others: 1,066		78 508	
Bankruptcies			1,245		1,392		1,124		599	
Other liquidations			5,908		1,486 2,667		:Vol Convey: 1,409 :Sale not Fcl: 2,187		837 1,529	
Transfer & assumption			230		627		571		145	
Total due to fin. difficulties			8,227(3%)		7,529(2.7%)		6,713(2.4%)		3,696(1.3%)	

*Source: Farm and Housing Activity Report initiated in FY' 1982

	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985 To 6/30
Property in Inventory (EOY)		967	1,891	2,135 (as of 4-30-84	
Sold during FY			759	583 survey)	

inventory properties will create an unacceptable downward pressure on farm values. Presently, there are 9 States and 36 counties in 14 other States that have suspended the sale of farm inventory properties due to adverse economic conditions. We expect you to keep us apprised of any significant change in your farm real estate market conditions during FY 1986 and provide appropriate recommendations for the management and sale of farm properties in accordance with the applicable provisions in paragraph three of our memorandum to State Directors and Farmer Program Chief's dated August 14, 1984.

2. Acquisition of Property

   a. Whenever possible avoid acquiring farm properties. Explore all servicing alternatives with borrowers and alternative methods of liquidation other than voluntary conveyance and foreclosure.

   b. Review all real estate appraisals and insure that they are current and accurately reflect the present market value.

   c. Review initial inventory property classifications. We have observed that some suitable farm properties are improperly classified as surplus in order to facilitate their exposure, availability and sale to a broader range of buyers, including ineligibles.

3. Management of Property

   a. Continue to manage farm inventory properties in accordance with the provisions set forth in paragraphs 4 (a) through (j) and 5 in our memorandum to State Directors and Farmer Program Chiefs dated August 14, 1984.

   b. Review all real estate appraisals every six months. Property values are changing very rapidly in many areas of the country. Inflated values discourage sales and increase the costs associated with holding properties while deflated values decrease the amount of return.

4. Sale of Property

   a. Review quarterly, all suitable classifications of farm properties and determine whether or not there has been any physical damage or a change in economic conditions which may have made a property unsuitable for sale to eligible applicants. If such changes have occurred, the suitable property should be immediately reclassified to surplus and advertised for public sale.

   b. Use the services of real estate brokers to sell suitable farm properties to eligible applicants when it is in the best interest of the Government to do so. Also, use real estate brokers to sell surplus farm properties after the State Director has determined the property cannot be sold by FmHA employees, the property has been advertised for sale by public notice, no acceptable bids or offers have been received, negotiations have been discontinued, and it is in the best interest of the Government to do so.

c. Continue to develop and refine your State Office property management record keeping system. Incorporate an effective follow-up method into your system to check on such things as appraisal values, leases, taxes, classification, management contracts, required maintenance, servicing matters and sale progress.

FmHA AN No. 1257 (1951)
Attachment A

ACTUAL ACCOMPLISHMENTS
FARMER PROGRAM INSURED LOAN DELINQUENCY REDUCTION GOALS
Number of Borrowers Through March 31, 1985

STATES	FO		OL		EM		EE		S&W	
	# DEL 3/31 1985	GOAL 3/31 1985	# DEL 3/31 1985	GOAL 3/31 1985	# DEL 3/31 1985	GOAL 3/31 1985	# DEL 3/31 1985	GOAL 3/31 1985	# DEL 3/31 1985	GOAL 3/31 1985
ALABAMA	762	859	1130	1167	1843	1956	351	380	75	79
ALASKA	2	2	1	2	0	0	0	0	0	0
ARIZONA	270	235	322	305	324	297	200	201	59	56
ARKANSAS	1468	1212	2270	1845	3402	3008	1166	1148	423	355
CALIFORNIA	448	379	701	623	735	647	693	641	180	143
COLORADO	475	438	410	442	337	386	432	486	61	67
DELAWARE	29	31	33	37	40	39	19	23	5	1
MARYLAND	125	120	232	227	162	132	153	161	7	8
FLORIDA	443	526	868	1002	943	1098	495	558	70	82
GEORGIA	1039	1026	2043	1959	4252	4287	951	933	278	272
HAWAII	45	37	50	48	22	24	4	6	1	3
W. PAC. TER.	0	0	3	2	4	3	0	0	0	0
IDAHO	978	850	1034	966	422	412	1038	1001	306	277
ILLINOIS	1356	888	2094	1655	2635	1506	1244	1114	144	100
INDIANA	1191	990	1729	1440	1345	980	1420	1330	73	59
IOWA	1617	974	2925	1983	2751	1427	2049	1644	180	133
KANSAS	1441	1078	1133	989	1447	1191	754	735	93	74
KENTUCKY	922	872	1698	1583	1501	1036	841	850	185	192
LOUISIANA	697	575	2679	2030	2692	2495	768	664	102	84
MAINE	302	313	555	654	238	317	113	148	8	6
MASSACHUSETTS	67	74	71	73	17	22	32	39	4	4
CONNECTICUT	27	37	39	42	10	13	26	27	4	5
RHODE ISLAND	10	9	12	8	3	1	3	2	0	0
MICHIGAN	829	675	1300	983	944	37	909	837	187	131
MINNESOTA	1858	1412	2430	1785	2297	2061	1765	1606	222	193
MISSISSIPPI	1745	1482	3195	2593	4931	4386	681	610	291	246
MISSOURI	2992	2330	2862	2517	4327	3183	1670	1603	1148	949
MONTANA	602	494	623	570	763	674	412	393	116	104
NEBRASKA	1913	1229	1483	1186	2227	1715	1835	1507	463	315
NEW JERSEY	158	151	264	254	235	220	39	40	19	19
NEW MEXICO	236	270	336	327	208	214	195	193	47	52
NEW YORK	759	627	939	749	1181	1019	852	730	146	113
NORTH CAROLINA	1155	1964	1998	1927	2437	2505	1310	1277	168	143
NORTH DAKOTA	1606	1572	1483	1383	2498	2570	900	1006	71	61
OHIO	771	513	1248	754	1099	747	550	456	80	53
OKLAHOMA	1563	1457	1766	1732	1755	1730	1195	1201	239	220
OREGON	424	364	515	500	363	330	448	404	167	146
PENNSYLVANIA	422	408	651	641	302	251	513	504	53	39
PUERTO RICO	628	551	569	544	180	187	170	154	51	38
SOUTH CAROLINA	689	606	936	851	1506	1391	316	291	14	14
SOUTH DAKOTA	1507	978	2122	1546	2963	2451	1656	1436	95	67
TENNESSEE	1552	1373	2163	1894	2089	1688	1168	1108	45	45
TEXAS	2225	1932	5443	4558	5621	5422	1311	1213	463	383
UTAH	141	119	147	132	62	51	86	65	13	17
NEVADA	67	55	68	69	15	14	80	65	38	33
VERMONT	74	78	65	59	9	7	33	28	6	3
NEW HAMPSHIRE	10	11	17	10	0	0	2	1	0	0
VIRGIN ISLANDS	17	14	19	17	3	2	0	0	7	6
VIRGINIA	489	557	1006	1111	1639	1914	435	495	3	2
WASHINGTON	436	398	468	451	229	217	476	491	68	60
WEST VIRGINIA	176	162	337	317	23	18	61	57	7	7
WISCONSIN	928	884	1145	1016	875	791	1077	1070	79	67
WYOMING	173	187	201	262	172	198	126	167	30	21
NATIONAL TOTALS	39,858	33,478	57,732	49,820	65,988	57,270	33,023	31,100	6,595	5,546

FmHA AN No. 1257(1951)
Attachment A

FARMER PROGRAM INSURED LOAN DELINQUENCY REDUCTION GOALS
Thousands of Dollar's Through June 30, 1986

STATES	--------FO------		--------OL------		--------EM------		--------EE------		------S&W------	
	$ Del 6/30 1985	Goal 6/30 1986	$ Del 6/30 1985	Goal 6/30 1986	$ Del 6/30 1985	Goal 6/30 1986	$ Del 6/30 1985	Goal 6/30 1986	$ Del 6/30 1985	Goal 6/30 1986
Alabama	5,556	5,500	19,495	19,105	106,010	101,770	11,765	11,647	200	198
Alaska	28	28	31	31	0	0	0	0	0	0
Arizona	8,174	8,011	8,431	8,347	95,358	92,497	14,688	14,541	895	868
Arkansas	8,985	8,715	34,354	32,293	194,577	182,902	31,014	29,773	1,213	1,152
California	7,683	7,529	18,044	17,864	287,519	270,268	46,628	43,830	2,617	2,460
Colorado	5,872	5,813	8,719	8,632	19,757	19,559	23,900	23,183	789	773
Delaware	348	345	612	606	749	742	829	821	37	37
Maryland	1,598	1,582	3,573	3,537	4,166	4,124	5,678	5,621	26	26
Florida	8,186	8,022	24,266	23,538	123,386	117,217	34,263	32,550	840	823
Georgia	14,793	13,905	49,683	46,702	589,500	554,130	51,147	48,078	5,526	5,194
Hawaii	224	222	342	339	516	511	162	160	9	9
W. Pac. Terr.	0	0	37	37	220	218	0	0	0	0
Idaho	14,694	13,812	18,477	18,292	41,153	40,741	45,620	42,883	2,243	2,108
Illinois	9,270	8,992	26,852	25,778	43,348	42,915	31,586	30,323	249	247
Indiana	16,957	15,940	36,080	33,915	48,890	48,401	60,662	57,022	241	239
Iowa	15,473	14,545	40,372	37,95[illegible]	44,272	43,829	43,520	40,909	294	291
Kansas	10,708	10,280	14,078	13,937	25,054	24,803	18,943	18,754	273	270
Kentucky	5,024	4,974	14,947	14,798	20,592	20,386	13,874	13,735	116	115
Louisiana	9,435	9,152	55,863	52,511	209,949	197,352	24,571	23,834	1,008	968
Maine	2,899	2,870	9,632	9,536	26,844	26,576	4,036	3,996	14	14
Massachusetts	563	557	735	728	333	330	753	745	9	9
Connecticut	333	330	483	478	1,116	1,105	745	738	34	34
Rhode Island	89	88	136	135	15	15	208	206	0	0
Michigan	9,128	8,854	20,198	19,794	51,486	50,971	26,632	25,833	1,029	988
Minnesota	17,155	16,126	38,432	36,126	81,996	80,356	39,838	37,448	810	794
Mississippi	14,596	13,720	68,486	64,377	479,067	450,323	25,967	25,188	1,612	1,515
Missouri	21,496	20,206	42,531	39,979	96,675	93,775	33,395	31,725	1,859	1,747
Montana	7,429	7,280	12,567	12,441	49,638	49,142	14,827	14,679	874	848
Nebraska	15,689	14,748	18,256	18,073	47,649	47,173	47,350	44,509	2,913	2,738
New Jersey	2,182	2,160	4,645	4,599	9,052	8,961	701	694	86	85
New Mexico	3,199	3,167	6,903	6,834	16,683	16,516	9,809	9,711	448	444
New York	7,545	7,394	12,872	12,743	47,260	46,787	19,679	19,482	779	763
North Carolina	8,941	8,673	28,762	27,612	97,605	94,677	42,655	40,096	472	467
North Dakota	13,121	12,465	17,790	17,612	73,036	72,306	18,339	18,155	414	410
Ohio	8,826	8,649	20,844	20,427	33,698	33,361	18,470	18,285	131	130
Oklahoma	11,844	11,252	25,998	24,958	91,384	88,642	39,538	37,166	1,004	964
Oregon	5,776	5,718	9,815	9,717	24,766	24,518	18,633	18,447	2,116	1,989
Pennsylvania	5,467	5,412	7,970	7,890	8,035	7,955	14,491	14,346	63	62
Puerto Rico	4,127	4,086	5,967	5,907	1,172	1,160	5,684	5,627	146	145
South Carolina	6,672	6,605	15,062	14,911	84,635	82,942	11,576	11,460	206	204
South Dakota	9,880	9,584	22,279	21,611	76,351	74,824	28,065	26,942	319	316
Tennessee	12,205	11,595	34,620	32,543	68,983	68,293	36,267	34,091	141	140
Texas	28,683	26,962	132,572	124,618	487,199	457,967	64,671	60,791	4,302	4,044
Utah	1,175	1,163	1,531	1,516	1,814	1,796	2,128	2,107	43	43
Nevada	880	871	1,337	1,324	816	808	3,613	3,577	330	327
Vermont	912	903	646	640	45	45	840	832	9	9
New Hampshire	54	53	76	75	0	0	96	95	0	0
Virgin Islands	184	182	319	316	12	12	0	0	66	65
Virginia	5,228	5,176	13,181	13,049	52,720	52,193	12,164	12,042	20	20
Washington	6,829	6,761	9,430	9,336	18,395	18,211	20,103	19,701	366	362
West Virginia	1,113	1,102	2,768	2,740	675	668	1,501	1,486	4	4
Wisconsin	9,977	9,678	15,300	15,147	19,203	19,011	25,550	24,784	185	183
Wyoming	3,345	3,312	4,001	3,961	11,534	11,419	6,054	5,993	231	229
National Totals	390,550	375,069	980,400	939,962	3,914,908	3,745,202	1,053,227	1,008,640	37,611	35,868

FmHA AN No. 1257 (1951)
Attachment B

SINGLE FAMILY HOUSING PROGRAM MANAGEMENT AND SERVICING GOALS THROUGH June 30, 1986

Introduction

The employees of the State and County Offices have done an outstanding job in reducing Single Family Housing (SFH) delinquency in the past three years. Borrowers have been encouraged to address their delinquency before it becomes too late and liquidation becomes necessary. Your fine efforts are recognized. We congratulate each of you that contributed to this success. Every loan made carries a commitment and responsibility to adequately service the loan throughout its entire life.

Specific goals must be established to enable us to achieve FmHA's SFH mission, of which the three distinct areas of responsibility are:

- Make sound loans, so new borrowers have an opportunity to become successful homeowners.
- Assist borrowers to become successful homeowners by servicing loans using a daily follow-up system, counseling, and all other servicing tools such as interest credits, moratorium, and additional partial payment agreements.
- Manage and care for abandoned and inventory properties, and sell inventory as soon as possible to maximize the Government's recovery.

History

Five year program trends and comparisons are shown on page three. We are concerned that the total outstanding delinquency indebtedness has increased to $227.7 million and the number of inventory properties have increased to 14,976.

Loan Servicing and Supervision

The nationwide goal is to have 88 percent of the SFH borrowers successful or current by June 30, 1986. This percentage goal is attainable by all States if proper emphasis is placed on the effective servicing of accounts. Every County Office is expected to have a servicing system operating in accordance with the requirements set forth in FmHA Instruction 1951-G.

Goals have been established for each State as indicated on page four according to the following table based on FmHA Report Code 581 as of March 31, 1985:

	Category	Improvement
1.	Below 10%	1/
2.	10% through 14%	10%
3.	14% through 17%	15%
4.	17% through 20%	20%
5.	20% through 25%	25%
6.	above 25%	30%

1/ Do not exceed June 28, 1985, delinquency level.

FmHA AN No. 1257 (1951)
Attachment B

The same percentage improvement was established for annual payment borrowers based on Report Code 503 as of June 28, 1985. In addition, each State has a goal of reducing the total dollar amount of delinquency from June 28, 1985, to June 30, 1986, as reported in Report Code 616.

Loan Processing

Loan processing activity must be improved to provide for timely and maximum use of the allocation. Funds are allocated to States on the basis of a need for housing. We have the responsibility to deliver a sound credit program to rural families who are unable to obtain decent housing without our assistance. To meet the Agency's objective of serving very-low income persons, an active outreach program is necessary. This will assist in our effort to make funds available to those who are most in need of adequate housing in the areas we serve.

You are reminded that a sufficient number of applications for processing must be posted to assure full and timely use of funds. Efforts must be continued to provide more affordable housing. This may be accomplished by assuring that the dwelling is energy efficient and does not include unnecessary amenities. Further, we should counsel applicants to encourage the purchase of housing most suited to their needs regarding size, number of bedrooms, and bathrooms.

Subdivisions proposed for FmHA financing should be located in or as part of a rural community. The subdivision location should: (1) be convenient to services such as shopping, schools, employment opportunities, etc., and (2) take advantage of established facilities such as central water and sewer systems, solid waste disposal, police and fire protection, etc. In Veterans Administration and Housing and Urban Development approved subdivisions, each site considered for FmHA financing must meet the conditions outlined in FmHA Instructions 1944-A and 426.2.

Property Management

According to the Farm and Housing Activity Report, the SFH inventory was 14,976 on June 30, 1985, which is a net increase of 2,216 over the June 30, 1984, level. During the FY ending June 30, 1985, 14,564 single family homes were acquired and 11,640 were sold. The goal is two-fold:

1. A net inventory reduction of 10 percent by June 30, 1986; and

2. On June 30, 1986, to have no property in inventory which was acquired before January 1, 1985.

In order to reach Goal No. 1, sales must exceed acquisitions by 1,498 nationally. The achievement of both goals mandates full use of private sector services in the management, repair, and sale of inventory homes. Additionally, emphasis on sales publicity is essential.

FARMERS HOME ADMINISTRATION SINGLE FAMILY

PROGRAM TRENDS AND COMPARISONS FY 1981 TO DATE

		FY 1981		FY 1982		FY 1983		FY 1984		FY 1985 To 6-30	
I.	# of Borrowers (EOY) # behind schedule	210,263 (23.3%)		176,697 (19.0%)		145,787 (15.6%)		137,146 (14.7%)		147,293 (15.8%)	
	$ (Mil.) outsanding (EOY)	188,282		192,629		188,636		195,624		227,712	
	Loan (Grant) Obligations	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.
	- Sec 502 Low Income Housing	87,241	2,584	78,882	2,476	65,467	2,137	56,126	1,845	32,528	1,089
	- Sec 504 V. Low Inc Hsg Repair(L)	5,799	18	3,165	10	2,288	7	2,360	7	1,714	5
	(G)	7,687	23	4,205	14	3,845	12	3,642	12	2,873	10
	- Other-Const. Defect Compensation Total	(292)	(.7)	(106)	(.3)	(107)	(.3)	(117)	(.4)	(91)	(.3)
	Conditional commitments issued*	18,411		16,019		10,288		8,782		6,098	
III.	Special Servicing Actions Borrowers having loans reamortized*	Not Available		Not Available		4,502		5,129		5,254	
	Moratoriums approved, including* extensions and renewals	"		"		13,700		12,949		Not Available	
	Transfer & assumptions*	"		"		12,732		10,834		Not Available	
IV.	Liquidations Acceleration letters sent*	"		"		15,513		11,970		5,273	
	Foreclosures completed*	"		"		4,235		3,887		591	
	Bankruptcies resulting in loss of house*	"		"		181		149		97	
	Property in inventory	8,915		11,218		11,902		13,277		14,976	
	Sales	Not Available		Not Available		Not Available		15,362		10,184	
	Aquisitions	Not Available		12,448		15,442		16,737		12,871	

*Source: Farm and Housing Activity Report

FmHA AN No. 1257 (1951)
Attachment B

SINGLE FAMILY HOUSING PROGRAM MANAGEMENT AND SERVICING GOALS
Through June 30, 1986

State	Delinquent (1) Borrowers (Monthly) Status 6-30-85	Delinquent (1) Borrowers (Monthly) Goal 6-30-86	Delinquent (2) Borrowers (Annual) Status 6-30-85	Delinquent (2) Borrowers (Annual) Goal 6-30-86	Inventory (3) Properties Status 6-30-85	Inventory (3) Properties Goal 6-30-86
Alabama	4,318	3,886	118	106	812	731
Alaska	160	144	0	0	36	32
Arizona	1,905	1,429	68	48	141	127
Arkansas	4,970	4,224	326	293	471	424
California	3,512	2,985	56	39	148	134
Colorado	1,556	1,167	72	54	214	193
Connecticut	340	340	3	8	20	18
Delaware	415	353	5	4	30	27
Florida	2,901	2,611	51	46	523	471
Georgia	5,385	4,577	289	217	556	500
Hawaii	645	580	0	0	4	3
Idaho	2,172	1,738	161	129	268	241
Illinois	3,650	2,920	110	82	552	497
Indiana	3,772	3,018	55	41	734	661
Iowa	2,853	2,425	124	99	775	697
Kansas	1,701	1,446	138	110	331	298
Kentucky	3,820	3,438	159	265	474	427
Louisiana	4,396	3,517	211	158	580	522
Maine	2,413	2,172	100	177	88	79
Maryland	1,579	1,342	36	31	129	116
Massachusetts	761	685	6	4	10	9
Michigan	4,644	3,715	72	54	316	284
Minnesota	2,013	1,711	309	216	257	231
Mississippi	8,489	7,216	1,346	1,211	475	427
Missouri	2,562	2,306	456	319	607	546
Montana	789	671	69	52	108	97
Nebraska	1,182	1,005	144	108	210	189
Nevada	211	179	9	6	98	88
New Hampshire	458	458	16	13	23	21
New Jersey	1,753	1,578	16	12	64	58
New Mexico	1,205	964	40	34	106	95
New York	5,372	4,298	115	86	288	279
North Carolina	4,330	4,330	526	744	532	478
North Dakota	1,040	832	377	264	195	175
Ohio	3,035	2,428	83	58	451	406
Oklahoma	2,863	2,577	200	180	362	326
Oregon	1,209	1,088	28	24	437	393
Pennsylvania	2,818	2,395	79	63	326	293
Rhode Island	165	165	1	1	3	2
South Carolina	5,816	4,944	171	145	584	526
South Dakota	711	640	173	156	138	124
Tennessee	6,510	5,533	345	293	488	439
Texas	6,575	5,260	482	386	395	355
Utah	1,552	1,242	39	67	71	64
Vermont	666	666	29	41	29	26
Virginia	5,814	4,942	151	121	478	430
Washington	1,524	1,295	60	42	252	227
West Virginia	2,665	2,265	32	48	196	176
Wisconsin	2,578	2,191	211	179	186	167
Wyoming	269	269	27	23	70	63
WPT	878	702	0	0	0	0
Puerto Rico	13,978	9,785	640	512	329	296
Virgin Islands	395	296	0	0	6	5
TOTAL	147,293	121,953	8,334	7,369	14,976	13,493

(1) 6/28/85 Status from Report Code 581
(2) 6/28/85 Status from Report Code 583
(3) 6/30/85 Status from COORS Report

NOTE: When a State Office has multiple States, total inventory figures are shown under the State Office location.

FmHA AN No. 1257 (1951)
Attachment C

MULTIPLE FAMILY HOUSING PROGRAM MANAGEMENT GOALS THROUGH JUNE 30, 1986

Introduction

In FY 1986, every effort should be made to provide sufficient resources to maintain a balanced loan program and to accomplish the mandated Multiple Housing (MH) loan-making and servicing activities. We must continue our efforts to service the rural rental housing (RRH) and labor housing (LH) loans while providing loan-making activities that will result in feasible projects being operated by responsible borrowers.

History See Page two of this Attachment.

Loan Servicing and Supervision

Loan servicing activities conducted in FY 85 in the RRH program are commendable. These efforts must be continued throughout the remainder of FY 1985 and into FY 1986. During this period, additional emphasis must be placed on LH loan servicing to obtain results comparable with those we have experienced in the RRH program. Additionally, we must continue obtaining and reviewing borrower reports and audits and conducting analysis for the MH borrowers. For the remainder of FY 1985 and in FY 1986, the specific servicing issues to be addressed include:

A. FY 1985 RRH and LH Delinquency Reduction Efforts - Nationally, the number of delinquent borrowers is close to the goal established for FY 1985. The National RRH delinquency status was two percent of the total RRH caseload according to the Report Code 616 for March 31, 1985. The States that have met their delinquency reduction goals as well as those that have made substantial progress in reducing the RRH delinquency are commended for their accomplishments.

Unfortunately, the number of LH delinquencies has increased from March 31, 1984. The LH goals established for March 1, 1985, were set as a guide to assist each State in allocating resources to LH servicing. We recognize that some delinquent individual LH borrowers have insufficient income to make the required FmHA loan payments due to the current farm economy. However, we need to rededicate our efforts to bring as many of these accounts current as possible. We need to help individual LH borrowers to improve the viability of their total farming operations if we expect to bring the accounts current.

FARMERS HOME ADMINISTRATION MULTIPLE FAMILY

PROGRAM TRENDS AND COMPARISONS FY 1981 TO DATE

	FY 1981		FY 1982		FY 1983		FY 1984		FY 1985 To ____	
I. # of Borrowers (EOY)										
# behind schedule		373	434		288		495		256	
$ outstanding (EOY)		$9,073 6%	$12,158	6%	$9,937	4%	$10,784	6%	$8,772	2%
	(#)	($) (#)								
II. Loan (Grant) Obligations - Sec 515 Multi-Family	1,466	$864,765,230	1,428	$953,667,720	1,195	$801,997,010	1,264	$919,002,010	676	$479,723,881
- Sec 514 Labor Housing (L)	250	18,548,040	136	11,910,600	68	3,994,290	76	5,484,870	71	4,334,910
Sec 516 (G)	23	10,510,230	15	14,948,400	12	7,543,530	7	9,807,080	5	1,349,820
- Other Technical Supervisory Grants	13	1,000,000					**These figures are as of 7/17/85. We do not have figures for 6/30.			
Total										
Conditional commitments issued										
III. Special Servicing Actions Borrowers having loans reamortized				Not Available						
Moratoriums approved, including extensions and renewals				Not Available						
Graduations										
*Transfer & assumptions		(95) $30,669,913.38		(89) $20,882,209.50		(112) $41,359,967.55		Not Available		Not Available
IV. Liquidations Acceleration letters sent										Not Available
*Foreclosures completed		0		(2) $21,950.00		(15) $5,675,356.09		Not Available		Not Available
Bankruptcies resulting in loss of property										
*Property in inventory		(1) $15,897.61		(10) $89,478.67		(18) $5,841,547.83		Not Available		Not Available

B. Delinquency Reduction Goals To Be Achieved by June 30, 1986 - The RRH and LH delinquency goals for FY 1986 are shown on pages six and seven. In setting the FY 1986 goals, we have attempted to recognize each State's program volume and the impact of recent program changes. We also recognize that some delinquent accounts may require an extended period of close supervision to reduce the delinquency. The recent revisions to FmHA Instruction 1965-B (including the use of the delinquency classification system provided in Section 1965.85) and the implementation of the new Automated Multi-Housing Accounting System (AMAS) should prove beneficial in assisting us to reduce the number of delinquent RRH and/or LH accounts.

C. Servicing RRH and LH Accounts - State and District Offices are responsible for the debt management of their Multiple Family Housing (MFH) loan portfolios in accordance with applicable regulations, instuctions, and administrative notices. The authority to transfer, reamortize and consolidate loans should be used to the maximum extent possible to correct deficiencies and remove the delinquent status of borrower accounts. These tools are available and every effort has been made to provide an efficient means of servicing the accounts with the necessary authorities delegated to the State Director. If all the procedural requirements cannot be met, the National Office, Multiple Family Housing Servicing and Property Management (MHSPM) Division should be consulted for further guidance. This instruction applies to all RRH and LH borrowers.

Special emphasis must be placed on servicing LH loans during the remainder of FY 1985 and FY 1986. District Directors are responsible for maintaining the case files and servicing the loans; however, they may request the assistance of the County Office staff in servicing individual LH accounts when the farmer has other FmHA loans. This, however, does not relieve the District Director from responsibility for reducing the LH delinquencies within his jurisdiction. The District Director must be certain that each individual and organizational LH account in his or her jurisdiction is adequately serviced, regardless of who performs the servicing actions. The Distict Office should provide the necessary guidance to the County Office staff, who may be assisting in the LH account servicing, to ensure that loan payments are scheduled and collected when income becomes available, i.e., when crops are harvested or the units are occupied.

During the period covered by this AN, each State is expected to emphasize the collection of those accounts which have long standing delinquencies.

Appropriate action should be taken to either collect the account cuurrent, develop an appropriate servicing plan, or liquidate the account. Delinquencies which are allowed to remain outstanding without appropriate servicing action being taken should be considered in rating and evaluation of the field staff charged with servicing those accounts.

D. Delinquency Reduction Plans - Again this year, each State is requested to prepare a State delinquecy reduction plan for all delinquent MFH loan accounts and to update it on a quarterly basis in accordance with Section 1965.85 (b)(1) of FmHA Instruction 1965-B. The plan must include information on the project name, case number, project number, amount delinquent, reason for delinquency, specific servicing actions taken or planned to be taken, and the planned accomplishment dates. The plan, including the actual accomplishment dates, should be updated and reviewed on a quarterly basis. The delinquency reduction plans for each State must be sent to the National Office no later than 45 days after the date of this AN. The National Office may request copies of quarterly updates from States throughout the year to monitor delinquency servicing efforts.

E. Supervisory Visits - Supervisory visits will be performed in accordance with FmHA Instruction 1930-C, Section 1930.119. Each State and District Office is expected to plan and perform FY 1986 supervisory visits without formal National Office monitoring. However, selected supervisory reports may be requested for National Office review for monitoring throughout the year.

F. Borrower Reports, Audits and Analyses - Continued emphasis should be placed on performing annual audits and analysis and reviewing monthly reports pursuant to the requirements of Section 1930.124 of FmHA Instruction 1930-C. FmHA AN 1192 dated May 2, 1985, provided additional guidance and direction on establishing a means of more efficiently reviewing annual reports as they are received. Throughout this reporting period, we are continuing to request sample reports after they have been reviewed by the District and State Offices as part of our efforts to monitor servicing efforts, identify program deficiencies, and perhaps develop alternative reporting methods which provide the data necessary to assure compliance with program objectives.

Loan Making

States should assure that the processing of preapplications and applications are performed in a timely manner. The District Office staff is responsible for processing the applications, and the State Office must provide the necessary guidance, training, and monitoring to assist them. This should include a processing checklist and management information checklist consistent with the RRH instructions. The National Office prepared and distributed to the field a guide checklist to accomplish this objective. State Directors should meet periodically to discuss the status and processing of special projects with the RH Chief and staff to assure that applications are processed efficiently and in a timely manner.

Because of some past rural housing lending practices by FmHA and the enactment of Public Law 98-181, dated November 30, 1983, the viability of projects should be carefully considered. These lending practices resulted in some projects being developed that are totally, or, in part, dependent on the availability of deep rental subsidy from FmHA RA or other sources. Otherwise, the rent that prospective tenants could pay would not be sufficient to continue an economically viable and feasible project. We caution you to consider this situation in both making new loans and servicing existing projects that are current or are potential problem cases because of their dependence on expiring contracts for RA. We are developing regulations and anticipate giving you additional guidance on this subject of project feasibility and the use of available RA as soon as possible.

Property Management

Multiple housing inventory property will continue to be serviced in accordance with FmHA Instuctions 1955-A, B, C, and 2024-A. The MHSPM Division should be kept advised of all properties acquired or sold by forwarding a copy of Form FmHA 1965-19, "Advise of Mortgaged Real Estate Acquired," or Form FmHA 1965-20, "Advise of Mortgaged Real Estate Sold," simultaneously with the submission to the Finance Office.

Throughout the year, the MHSPM Division will monitor each State's efforts to accomplish the management goals identified in this AN. Information will be gathered from the official Agency reports (including Report Code 616 and the RMS Reports). State Offices should direct any questions concerning Attachment C and Multiple Family Housing Servicing and Property Management (MHSPM) activities to the MHSPM Division at FTS 382-1603.

FmHA AN No.1257 (1951)
Attachment C

RRH LOAN DELINQUENCY GOALS THROUGH JUNE 30, 1986

STATE	TOTAL BORROWERS 3/31/85	NUMBER DELINQUENT 3/31/85	GOAL JUNE 30, 1986	REDUCTION NEEDED TO ACHIEVE GOAL
ALABAMA	342	14	11	3
ALASKA	27	0	0	0
ARIZONA	62	3	2	1
ARKANSAS	181	6	5	1
CALIFORNIA	255	8	7	1
COLORADO	95	5	4	1
DELAWARE	81	0	0	0
FLORIDA	228	2	1	1
GEORGIA	234	4	3	1
HAWAII	14	0	0	0
IDAHO	179	1	0	1
ILLINOIS	551	11	10	1
INDIANA	387	13	10	3
IOWA	802	8	7	1
KANSAS	280	12	9	3
KENTUCKY	144	2	1	1
LOUISIANA	170	4	3	1
MAINE	199	1	1	0
MASSACHUSETTS	98	6	3	3
MICHIGAN	424	6	5	1
MINNESOTA	567	4	3	1
MISSISSIPPI	340	4	3	1
MISSOURI	604	8	7	1
MONTANA	137	4	3	1
NEBRASKA	193	7	6	1
NEW JERSEY	47	3	2	1
NEW MEXICO	46	1	0	1
NEW YORK	208	10	7	3
NORTH CAROLINA	371	4	3	1
NORTH DAKOTA	278	3	2	1
OHIO	269	18	15	3
OKLAHOMA	198	4	3	1
OREGON	157	7	5	2
PENNSYLVANIA	172	2	1	1
PUERTO RICO	33	3	2	1
SOUTH CAROLINA	203	3	2	1
SOUTH DAKOTA	386	5	4	1
TENNESSEE	244	10	7	3
TEXAS	495	15	12	3
UTAH	124	4	3	1
VERMONT	103	2	1	1
VIRGINIA	120	5	4	1
WASHINGTON	201	2	1	1
WEST VIRGINIA	160	7	4	3
WISCONSIN	450	14	11	3
WYOMING	55	1	0	1

FmHA AN No. 1257(1951)
Attachment C

LH LOAN DELINQUENCY GOALS THROUGH JUNE 30, 1986

STATE	TOTAL BORROWERS 3/31/85	NUMBER DELINQUENT 3/31/85	GOAL JUNE 30, 1986	REDUCTION NEEDED TO ACHIEVE GOAL
ALABAMA	9	1	0	1
ALASKA	0	0	0	0
ARIZONA	22	1	0	1
ARKANSAS	285	23	15	8
CALIFORNIA	33	4	2	2
COLORADO	1	0	0	0
DELAWARE	5	3	1	2
FLORIDA	12	0	0	0
GEORGIA	2	0	0	0
HAWAII	40	1	0	1
IDAHO	10	0	0	0
ILLINOIS	3	0	0	0
INDIANA	1	0	0	0
IOWA	1	1	0	1
KANSAS	2	1	0	1
KENTUCKY	1	0	0	0
LOUISIANA	57	3	1	2
MAINE	8	0	0	0
MASSACHUSETTS	10	1	0	1
'CHIGAN	57	3	1	2
NNESOTA	1	0	0	0
MISSISSIPPI	250	60	52	8
MISSOURI	1	0	0	0
MONTANA	4	1	0	1
NEBRASKA	4	0	0	0
NEW JERSEY	12	7	5	2
NEW MEXICO	1	0	0	0
NEW YORK	11	0	0	0
NORTH CAROLINA	19	7	4	3
NORTH DAKOTA	3	1	0	1
OHIO	2	0	0	0
OKLAHOMA	6	1	0	1
OREGON	9	1	0	1
PENNSYLVANIA	2	0	0	0
PUERTO RICO	0	0	0	0
SOUTH CAROLINA	72	11	8	3
SOUTH DAKOTA	2	0	0	0
TENNESSEE	112	8	6	2
TEXAS	25	1	0	1
UTAH	2	0	0	0
VERMONT	78	2	1	1
VIRGINIA	6	1	0	1
WASHINGTON	18	2	0	2
WEST VIRGINIA	0	0	0	0
''ISCONSIN	6	1	0	1
OMING	0	0	0	0

FmHA AN No. 1257 (1951)
Attachment D

COMMUNITY PROGRAMS MANAGEMENT AND SERVICING GOALS THROUGH JUNE 30, 1986

Introduction

Community Programs has historically maintained a well-balanced program of credit and supervision. Today's challenge serves to emphasize the importance of clearly defined management goals if we are to continue our record of efficient and effective service to rural America. To that end, we reiterate Community Programs' loan-making, servicing, and supervision goals.

History

See Page two.

Loan Servicing and Supervision

It is the intent of FmHA to provide management assistance in a form which will ensure borrower success and compliance with appropriate FmHA instructions.

The FmHA servicing official will review for approval each borrower's accounting and financial reporting system prior to the borrower beginning facility operations. An initial review of the borrowers records and accounts will be made in accordance with FmHA Instruction 1942-A, Section 1942.17(r)(1)(ii)(A) and the findings recorded on Form FmHA 442-4, "District Directors Report," with a copy forwarded to the State Director.

Security inspections will be performed in accordance with FmHA Instruction 1942-A, Section 1942.17(r)(3). Results of these inspections will be recorded on Form FmHA 424-12, "Inspection Report." Compliance reviews will be coordinated with facility inspections whenever possible.

Borrower graduation reviews will be handled in accordance with FmHA Instruction 1951-F. State Directors should ensure that an orderly and timely graduation review process is being followed in the States.

The servicing official will ensure that all borrowers are promptly and properly notified of the amount and due date of payments. Furthermore, the servicing official will be responsible for monitoring the timely receipt of the payments from the borrower. Delinquent and/or problem case accounts will be serviced in accordance with FmHA AN No. 1213 (1942) and applicable FmHA instructions.

Delinquency goals have been established for each State and are attached. These goals constitute a modest reduction in the number of delinquent loans in each of the Community Programs areas. We believe these goals are realistic and attainable through proper application of the servicing tools provided in applicable instructions and ANs.

FARMERS HOME ADMINISTRATION COMMUNITY PROGRAMS

PROGRAM TRENDS AND COMPARISONS FY 1981 TO DATE

		FY 1981		FY 1982		FY 1983		FY 1984		FY 1985 To 6/30	
I.	# of Borrowers (EOY)	13,365		14,579		15,315		15,775		16,055	
	# behind schedule	283 (2.1 %)		281 (1.9%)		230 (1.5%)		198 (1.3%)		169 (1.1 %)	
	$ (mil.) outstanding (EOY)	5,690		6,530		7,106		7,595		7,909	
II.	Loan (Grant) Obligations	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.	(#)	($)Mil.
	- CF	862	260	267	126	208	130	173	129.9	99	42.6
	- WWD Loans	1,768	750	928	375	1,184	600	645	270	473	189
	Grants	788	210.4	444	133.8	630	313.2	276	103.7	234	90.5
	- Other										
	- Total	3,418	1,220.4	1,639	634.8	2,022	1,043.2	1,094	503.6	806	322.1
III.	Special Servicing Actions (estimate) *										
	i.e., Reamortization, subordinations	1		7		18		16		11	
	Subordinations										
	Total										
IV.	Liquidations (estimates) *										
	Sale									1	
	Transfer & assumption	14		21		7		8		5	
	Vol Convey					1					
	Foreclosures (Fcl)										
	Other liquidations										
	Property in Inventory					3		1		1	
	Sales from Inventory					0		2		0	

*Information represents WWD program data only. CF information not available.

In establishing 1986 delinquency goals for Water and Waste Disposal borrowers, each State's 1985 accomplishment was measured against the delinquency as of June 30, 1985. A five percent reduction of the 1985 goal was established as the 1986 goal. The 1985 goals that were exceeded or not met were taken into account in establishing the 1986 goals. States which had a zero delinquency goal for 1985 are required to maintain a goal of zero for 1986.

In establishing the delinquency goals for Community Facilities, Recreation, Watershed, and Resource Conservation and Development borrowers, each delinquent account was reviewed and a decision made regarding the goals for each State. The history of the delinquency and the amount of delinquency are the major factors considered in reviewing the accounts. Accounts with small delinquencies are expected to be paid current. Closer review and confirmation of billings must be done before notifying borrowers of amounts due for the year. Borrowers who have a delinquency but are making progress should be considered for reamortization. Those delinquent borrowers who have tax-levying authorities should be encouraged to use those authorities in bringing their account to a current status.

The delinquent loan status as of June 30, 1985, was taken from Report Code 616, "Active Borrowers Delinquent," furnished by the Finance Office.

Loan Making

Community Programs funds are allocated to achieve specific results, and this Administration is commited to producing these results through the effective and timely use of our resources for feasible projects. States should maintain approximately 150 percent of their current annual Community Programs allocations in process. Obligations should be promptly made whenever an application is completed which represents a quality, viable project. It is essential that State Directors and field personnel maintain close contact with local rural officials, other Federal and State agencies, public interest groups, and professional organizations. This will facilitate more informed decision making and ensure that program benefits continue to accrue to the most deserving truly rural areas.

States are expected to strive for timely and quality processing of inquiries, preapplications, and applications. Loan obligations should be scheduled in a uniform manner throughout the fiscal year. Unliquidated obligations of prior years should be reviewed on a continuing basis. Realistic timetables and target days should be established with appropriate follow-up provided to assure timely project completion and/or deobligation of unneeded funds. Report Code 743, "Report of Prior Year Unliquidated Obligations," will be used to monitor these activities.

State Directors and servicing officials are also expected to establish strong liaison with lenders, investment bankers, and bond counsels to enhance the opportunities for permanent joint financing, interim financing and graduation and to be better informed on other credit opportunities.

Contruction supervision and overall management of the construction phase should continue to receive emphasis, especially in the areas of the preconstruction conference, review of plans and specifications, monitoring use of funds, routine inspections, and prefinal and final inspections. FmHA Architects and Engineers must be used to the fullest extent possible in monitoring construction at critical junctures and in training the District personnel. Construction Analysts and Inspectors should be used on Community Programs projects. Staff planning meetings and calendars are vitally important to making the most efficient use of time and travel funds. In all cases, it is important to establish and maintain a strong FmHA presence so that borrowers, consultants, and contractors are aware of the Agency's interest and requirements.

Continued emphasis should also be placed on maintenance and use of the Rural Community Facility Tracking System (RCFTS). It is essential that data contained in RCFTS be accurate and maintained in a current status. In addition to being a key management tool for field personnel, RCFTS is used on a daily basis by the National Office and greatly reduces the need for manual reports from State Offices. It is expected that State Directors meet periodically to discuss the status and processing of specific projects with the program chiefs and staffs to assure that applications are processed efficiently and on a timely basis. RCFTS is the primary source of information and will be used to monitor progress in joint funding, interim financing, graduation and timely loan and grant processing.

The use of the various types of available automated equipment will expedite the actions necessary to carry out a balanced program of loan making and servicing. State Directors should assure that appropriate equipment is located in such a manner as to facilitate its use. This may require equipment to be physically located in the C&BP area. The future acquisition of Multi-Function Work-stations emphasizes the necessity for all State Directors to assure that appropriate program personnel are literate and comfortable with computer capabilities and use. This may only be accomplished through extensive hands on exposure.

FmHA AN No. 1257 (1951)
Attachment D

COMMUNITY PROGRAMS MANAGEMENT AND SERVICING GOALS
THROUGH JUNE 30, 1986

WATER AND WASTE DISPOSAL DELINQUENCY GOALS

DATA FROM REPORT CODE 616	DELINQUENCY STATUS AS OF 6/30/85	ESTABLISHED GOALS FOR YEAR ENDING 6/30/86
ALABAMA	8	6
ARIZONA	2	0
ARKANSAS	1	1
CALIFORNIA	2	2
COLORADO	2	0
DELAWARE	0	0
MARYLAND	0	0
FLORIDA	0	0
GEORGIA	4	0
IDAHO	2	0
ILLINOIS	6	2
INDIANA	17	11
IOWA	1	0
KANSAS	1	0
KENTUCKY	3	2
LOUISIANA	8	3
MAINE	3	0
MASSACHUSETTS	0	0
CONNECTICUT	0	0
RHODE ISLAND	0	0
MICHIGAN	1	0
MINNESOTA	0	0
MISSISSIPPI	9	9
MISSOURI	3	3
MONTANA	1	0
NEBRASKA	0	0
NEW JERSEY	0	0
NEW MEXICO	2	0
NEW YORK	0	0
NORTH CAROLINA	0	0
NORTH DAKOTA	0	0
OHIO	0	0
OKLAHOMA	8	3
OREGON	2	0
PENNSYLVANIA	14	6
SOUTH CAROLINA	1	0
SOUTH DAKOTA	1	0
TENNESSEE	11	10
TEXAS	8	8
UTAH	0	0
NEVADA	1	0
VERMONT	0	0
NEW HAMPSHIRE	1	0
VIRGIN ISLANDS	0	0
VIRGINIA	3	3
WASHINGTON	2	0
WEST VIRGINIA	9	8
WISCONSIN	1	1
WYOMING	0	0
ALASKA	0	0
HAWAII-AM.SAMOA	0	0
W PACIFIC TERR.	0	0
PUERTO RICO	0	0
NATIONAL TOTAL	138	78

FmHA AN No. 1257 (1951)
ATTACHMENT D

COMMUNITY PROGRAMS MANAGEMENT AND SERVICING GOALS THROUGH JUNE 30, 1986

COMMUNITY FACILITIES DELINQUENCY GOALS

	COMMUNITY FACILITIES		RECREATION		WATERSHED		RESOURCE CONSER. & DEVELOPMENT	
	#DEL	GOAL	#DEL	GOAL	#DEL	GOAL	#DEL	GOAL
ALABAMA	3	1					1	1
ARIZONA			1	0			1	0
ARKANSAS							2	0
CALIFORNIA	1	1						
COLORADO	2	1	1	0				
DELAWARE								
MARYLAND			1	0				
FLORIDA								
GEORGIA								
IDAHO	1	0	2	1			2	1
ILLINOIS			1	1				
INDIANA	3	1			1	0		
IOWA	2	1						
KANSAS			3	1				
KENTUCKY			1	1				
LOUISIANA	1	1						
MAINE	2	1	1	0				
MASSACHUSETTS								
CONNECTICUT								
RHODE ISLAND								
MICHIGAN	3	1						
MINNESOTA								
MISSISSIPPI	1	0	1	0	2	1		
MISSOURI							1	
MONTANA	1	0						
NEBRASKA			1	0				
NEW JERSEY								
NEW MEXICO			1	1			2	2
NEW YORK	1	0	1	1				
NORTH CAROLINA								
NORTH DAKOTA								
OHIO			1	0				
OKLAHOMA					1	0		
OREGON			1	0			1	0
PENNSYLVANIA	1	1						
SOUTH CAROLINA	1	0	1	0				
SOUTH DAKOTA	1	0	1	0				
TENNESSEE	2	0	1	0	1	0	1	0
TEXAS	3	1	3	2				
UTAH								
NEVADA								
VERMONT								
NEW HAMPSHIRE								
VIRGIN ISLANDS								
VIRGINIA	1	0						
WASHINGTON	1	0	2	2			1	1
WEST VIRGINIA			1	0				
WISCONSIN			1	0				
WYOMING								
ALASKA								
HAWAII-AM.SAMOA							1	1
W. PACIFIC TERR.								
PUERTO RICO								
NATIONAL TOTAL	31	10	27	10	5	1	13	6

FmHA AN No. 1257 (1951)
Attachment E

BUSINESS AND INDUSTRY PROGRAM MANAGEMENT AND SERVICING GOALS THROUGH JUNE 30, 1986

Introduction

The B&I loan program is designed to create and sustain employment and contribute to the economic environment in rural areas through the guarantee to lenders of loans for business and industry. This purpose is achieved by bolstering the existing private credit structure through guarantee of quality loans which will provide lasting community benefits. It is not intended that the guarantee be used for marginal or substandard credit or to bail out lenders having such loans. The program enables lenders of limited lending authority or long-term cash liquidity needs to make sound loans of greater size or longer terms than they otherwise could. It also provides the borrower an avenue for negotiation of favorable interest rates with the lender. With these purposes and facts in mind, the following goals are established.

History

See page two of this attachment for program trends and comparisons, FY 1981 to June 30, 1985.

Loan Servicing and Supervision

Business and Industry loan delinquency rates as of June 30, 1985, decreased nationally by 0.8 percent over the same period one year ago. We still need to improve servicing efforts. We realize this was a period of substantial business and industry financial realignment affecting the volume of qualified applications for B&I guarantees as well as their cash flow generation for debt servicing. The B&I portfolio of guarantees has dropped in numbers and, consequently, contributes negatively to servicing results as a percentage. Bearing these factors in mind, the attached table shows:

1. The number of delinquent borrowers as the March 31, 1985 goal.

2. The results of effort toward the 1985 goal in terms of an increase or decrease in delinquent loan numbers.

3. The number of delinquent borrowers as of June 30, 1985.

4. An estimated goal for June 30, 1986, for number of delinquent borrowers.

FARMERS HOME ADMINISTRATION BUSINESS AND INDUSTRY

PROGRAM TRENDS AND COMPARISON FY 1981 TO DATE

		FY 1981	FY 1982	FY 1983	FY 1984	FY 1985 6/30
I.	# of Borrowers (EOY)	3,547	3,580	3,402	3,024	2,885
	# behind schedule	483(13.6%)	653(18.2%)	719(21.1%)	642(21.2%)	566(19.6%)
	$ (Mil.) outstanding (EOY)	3,094	3,272	3,375	3,242	3,176
II.	Loan Obligations					
	#	638	69	64	73	39
	$ (mil.)	652	61	82	124	50
	Total Obligations FY 1981 - 6/30/85 # 883 $ (mil.) 970					
III.	Special Servicing Actions					
	# Call Contract Actions	Not Available	2	8	16	8
IV.	Liquidations					
	# of Total Borrowers in Liquidation	Not Available	Not Available	424(12.5%)	397(13.1%)	354(12.2%)
	Property in Inventory (EOY) Sales from Inventory (FY)	Not Available	Not Available	Not Available	Not Available	Not Available

FmHA AN No. 1257 (1951)
Attachment E

The methodology used in establishing goals for individual State Offices includes:

1. The available and projected staffing of the State Office as compared to the case load complexity.

2. Staff B&I experience as related to the program, whether as combined Community and Business Program, or whether a B&I Chief of the Business and Industry Program.

3. The type of portfolio and the economics involved in the State.

4. State delinquency as compared to national delinquency rate.

5. The complexities of the program and the loan servicing authority that has been delegated to the State Office.

6. Demographic and geographic considerations as they relate to State Office locations and FmHA regulation requirements and servicing responsibilities.

Recommended actions within the State to meet the established goals include:

1. Assign sufficient staff to accomplish servicing actions.

2. Confine appropriate staff to specific servicing activities.

3. "Earmark" definite travel funds to accomplish accelerated servicing field trips, with an overall goal of spending 75 percent of time on servicing.

4. Establish realistic objectives, tasks and scheduling to work toward meeting and exceeding the delinquency control goals for your State.

5. Encourage, require and accommodate additional commercial lending and servicing training.

6. Expedite the lender's processing of loans in bankruptcy or liquidation to maximize FmHA's recovery.

7. Required regular field trips, lender interviews and site inspections by Chief and/or Specialist on problem and delinquent accounts.

8. Review monthly the progress being made and document properly.

9. Require the lender to live up to its servicing responsibilities, especially during bankruptcy.

10. As required by the regulations, seek the advice of the Regional Attorney on all bankruptcy cases, and appropriate workouts and liquidations as specified in the General Administrative section.

Since economic conditions have improved, we expect to see a marked reduction in the number of delinquent loans within the next 12 months. The reductions are reflected as goals in the attached table. I expect each of you to review these goals and take any necessary action to be sure these goals are met or surpassed.

Loan Making

In order to improve the quality of the B & I guaranteed loan program, the following items should be given your careful attention.

1. Improve overall quality of B&I loans through increased equity requirements for existing businesses and a minimum of 20-25 percent equity requirements for new businesses.

2. Strengthen existing B&I commitments by permitting no significant changes to loan conditions.

3. High risk and high job cost enterprises do not aid in achieving B & I program goals of quality loans and improving the economic climate in rural areas.

4. Attempt to negotiate guarantees of less than 90 percent.

5. Uncollateralized personal guarantees do not strengthen a loan. Conversely, collateralized personal guarantees strengthen loans by furnishing additional collateral for the loan.

6. Consult with and work closely with the Regional Attorney on all legal issues which arise.

(Statistics on page five are based on the B&I quarterly report dated June 30, 1985).

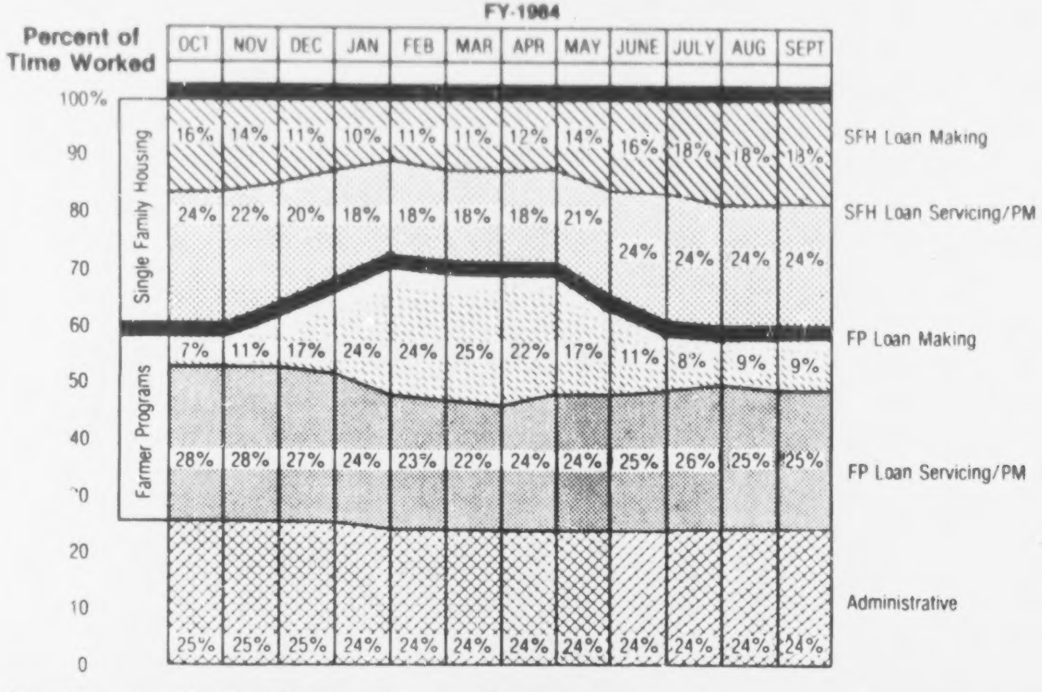
FmHA AN No. 1257 (1951)
Attachment E

Business and Industry Program Management and Servicing Goals

State Office	Delinquency Goals for 3/31/85 in No. of Borrowers Not to Exceed	Accomplishment of Goals Above or Below	Delinquency as of 6/30/85	Delinquency Goals for 6/30/86 in No. of Borrowers Not to Exceed
			Number	
Alabama	19	-2	17	14
Alaska	1	+1	2	1
Arizona	5	0	5	3
Arkansas	15	+5	20	15
California	7	-2	5	3
Colorado	9	+5	14	9
Del/Md	2	+1	3	2
Florida	3	-1	2	1
Georgia	10	+8	18	12
Hawaii	2	+1	3	2
Idaho	6	0	6	4
Illinois	9	+1	10	7
Indiana	7	0	7	5
Iowa	6	+1	7	5
Kansas	4	+4	8	5
Kentucky	12	+1	13	10
Louisiana	50	+8	58	40
Maine	2	-1	1	1
Mass/Conn/RI	3	+1	4	3
Michigan	13	-1	12	9
Minnesota	18	-2	16	13
Mississippi	17	-4	13	10
Missouri	4	+3	7	4
Montana	6	+3	9	6
Nebraska	4	+2	6	4
New Jersey	2	-1	1	1
New Mexico	4	0	4	3
New York	20	+3	23	16
N. Carolina	21	-3	18	15
N. Dakota	18	+5	23	20
Ohio	12	-1	11	9
Oklahoma	22	+2	24	19
Oregon	6	0	6	5
Pennsylvania	4	+5	9	6
Puerto Rico	10	+9	19	15
S. Carolina	15	-4	11	9
S. Dakota	12	+6	18	16
Tennessee	20	-3	17	14
Texas	30	+8	38	30
Utah/Nev.	8	+1	9	7
VT/N.H./V.I.	10	+4	14	11
Virginia	3	-1	2	1
Washington	3	+1	4	3
W. Virginia	12	+8	20	15
Wisconsin	19	+3	22	18
Wyoming	4	+3	7	5
Total	489	+77	566	426

Farmers Home Administration: Use of Employee Time

NATIONAL AVERAGE: County Office

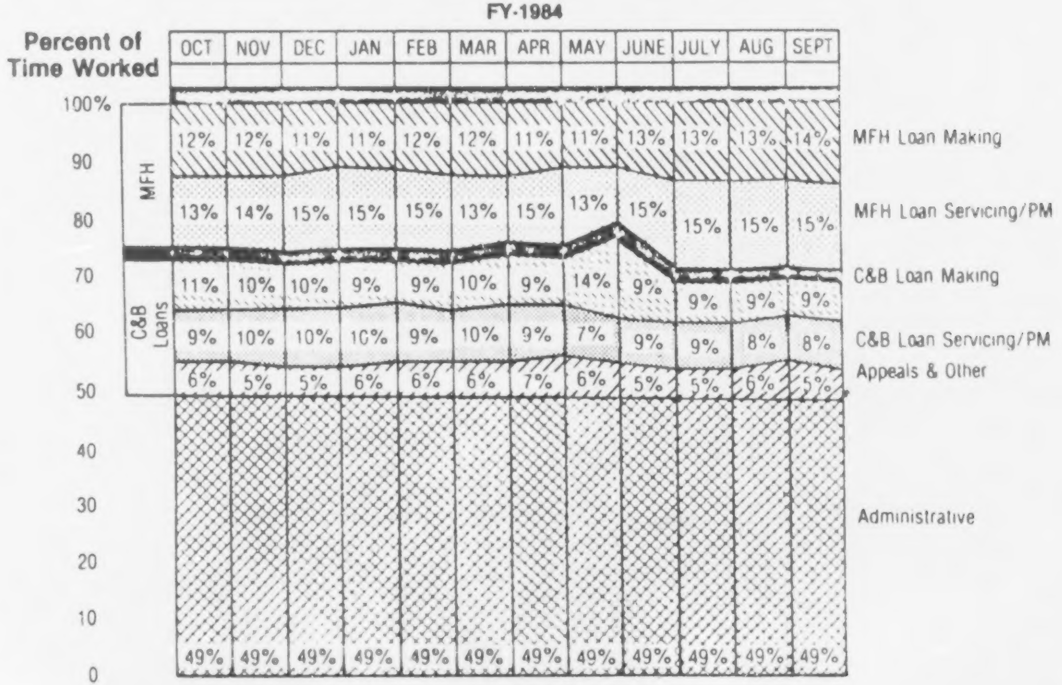


Data Source: Prepared by RMS Staff. Based on RMS Reports 4 and 11.

FmHA AN NO. 1257 (1951)
Attachment F

Farmers Home Administration: Use of Employee Time

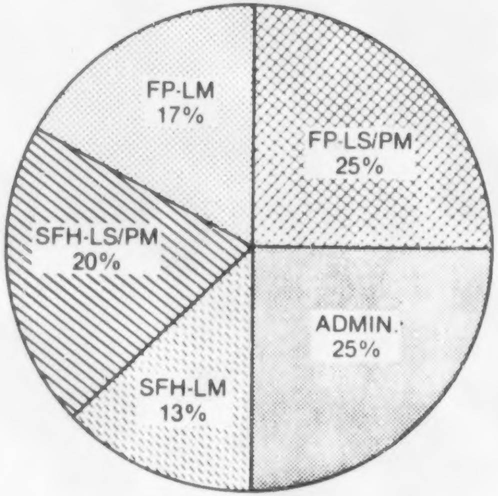
NATIONAL AVERAGE: District Offices



Data Source: Prepared by RMS Staff. Based on RMS Reports 4 and 11.

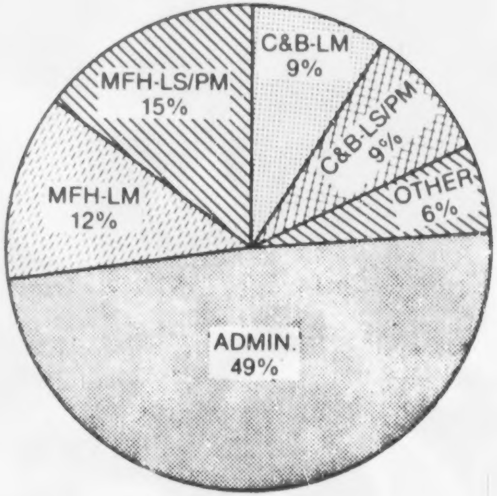
FY 1984 National Averages

County Office



Summary	
LM	30%
LS/PM	45%
Admin.	25%
	100%

District Office



Summary	
LM	21%
LS/PM	24%
Other	6%
Admin.	49%
	100%

Data Source: Prepared by FPAD & MISD. Based on RMS 4 and 11.

Thousands of Dollars Delinquent for Active Borrowers
United States
as of 6/30

Program	1982	1983	1984	1985
OL	$ 362,945	$ 518,589	$ 782,960	$ 980,401
FO	136,949	217,694	301,837	390,549
SW	13,879	23,050	29,540	37,609
EM	1,861,186	2,610,058	3,374,243	3,914,907
EE	552,859	755,446	900,950	1,053,222

Delinquency Goal Methodology

Every State's delinquency goal is to stop and reverse the increasing trend of recent years and reduce the amount of delinquent dollars. The overall goal is to reduce the amount of delinquent dollars by one percent for OL, FO, SW, EM, and EE loan programs. For those States with a dollar amount delinquent above the national average amount in a loan program, the delinquency reduction goal for that program will be adjusted in accordance with the following table:

Percent Deviation From National Average	Point Adjustment
1-20	1
21-40	2
41-60	3
61-80	4
81 and over	5

For example, a State's FO delinquent dollar amount as of June 30, 1985, was $3,339,000, or 45.3 percentage points above the national average FO dollar amount delinquent of $7,369,000. The 1-point base would be increased three percentage points to four percent, thereby making the State's delinquency goal for June 30, 1986, a four percent reduction. Translating the four percent to amount of dollars, we simply multiply the amount of delinquency dollars ($10,708,000) by .04 and arrive at the figure of $428,320 as the dollar amount we expect your efforts will produce in reducing the total dollar amount delinquent. The goal would be a $10,280,000 delinquency by June 30, 1986. A minimum improvement goal of one percent has been established.

The data source used is FmHA Report Code 616, "Active Borrowers Delinquent, June 30, 1985."

Loan Servicing Goals

FmHA personnel will make every effort to help farmers deal with and resolve their financial and production problems. We must ensure that County Supervisors and District Directors fully use all appropriate servicing and supervisory tools and skills which could enable FmHA to continue with borrowers who can demonstrate the capability of responding positively to our credit counseling, supervision, and servicing initiatives.

Supervisory and servicing techniques must be fully and appropriately used if borrowers are to realize an improvement in their chances for success.

Loan Making

Each State Director should plan for the most efficient and effective use possible of all allotted funds to assist farmers. A special effort must be made to assist minority farmers in improving their operations. Strong emphasis must be placed on the full use of FmHA's guaranteed loan programs. In the initial and subsequent loan making process for all types of farm loans, full use will be made of conventional credit sources. Other lenders will be used to the maximum when feasible; and FmHA subordinations will be used in lieu of loans, whenever possible. State Directors must assure that all loans are based on realistic farm operating budgets and well-documented appraisals, both real estate and chattels, when such appraisals are required. The State Office Farmer Programs staff must make sure that County Supervisors and other appraisers of farm property are adequately trained. A chattel appraisal instruction now under development will provide needed guidance when issued.

Farm Property Management Goals

1. General

The acquisition, management and sale of FmHA farm inventory properties must continue to be administered in a manner that is responsive to local market conditions and in compliance with official policies and procedures. The following table summarizes changes in our farm inventory for the dates indicated.

FARM INVENTORY PROPERTIES - U. S.

	December 31, 1983	December 31, 1984
Number of Farms	2,089	1,920
Acres	487,653	671,481
Value $	379,151,944	348,480,000
Ave. $ Value per Acre	778	519

The average value per acre of farms declined 33 percent in 1984 and farm values are expected to remain soft throughout 1985. Therefore, you must continue your efforts of analyzing farm real estate values in your State and determining whether or not the sale of any of your farm

FmHA AN No. 1279 (1941)

United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D C
20250

October 17, 1985

SUBJECT: Off-Farm Income and
Eligibility for Farm Ownership (FO) and Operating (OL) Loans

TO: State Directors, Farmer Program Chiefs,
District Directors and County Supervisors, FmHA

Purpose/Intended Outcome: This AN is issued to clarify the intent of FmHA regulations pertaining to eligibility for FO and OL loans when applicants have off-farm income. Severe financial problems now being experienced in the agricultural sector have led to a significant reduction in farm-generated net income. As a result, many family farmers who depend on farming for a livelihood have been forced to seek off-farm income to continue meeting existing obligations, farm operating and family living expenses.

Implementation Responsibility: Some farmers who apply for FO and OL loans need significant off-farm income as a part of their total cash flow to maintain their farm business. The FmHA regulations relative to off-farm income are not intended to prevent making loans to such applicants. FmHA Instruction 1941-A, Operating Loan Policies, Procedures and Authorizations, Section 1941.12(a)(4)(i), FmHA Instruction 1943-A, Farm Ownership Policies, Procedures and Authorizations, Section 1943.12(a)(4)(i), FmHA Instruction 1980-B, Guaranteed Loan Programs, Farmer Program Loans, Sections 1980.175(b)(1)(iv) and 1980.180(c)(1)(iv) specifically permit county committees, when considering off-farm income, to consider special family circumstances, such as size, health, and educational requirements.

When considering applicants who are farming and have significant off-farm income, it is necessary to evaluate the relationship of such income to the economic survival of the farm. However, regulations do not authorize nor should state offices or county committees establish a fixed amount (i.e., $30,000/year maximum) that would be applied unilaterally to all applicants. Use of off-farm income, along with farm income, to pay farm debt installments, operating expenses, and family living expenses indicates that the off-farm income is essential for an applicant to have an overall income comparable to that considered reasonably adequate in the area.

EXPIRATION DATE: September 30, 1986

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1941-A

FmHA Farmers Home Administration is an Equal Opportunity Lender
Complaints of discrimination should be sent to:

There are some applicants who already have off-farm income that is typical of other reasonably successful residents in the area. They probably depend on the off-farm as their primary income source. They should not be considered eligible for FO and OL loans, unless the off-farm income will be reduced or ended not later than 3 full crop years after the loan is closed, as provided in FmHA regulations.

This AN is to be discussed with all county committees in their next regular meeting.

VANCE L. CLARK
Administrator

Sent by electronic mail on 10/18/85 at 3:14 pm. by DASD to State Directors. State Directors will distribute to the addressees.

United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1318 (1910)

January 3, 1986

SUBJECT: The Use of the Term "Character" in County Committee Rejection Letters

TO: All State Directors, Farmer Program Chiefs,
District Directors and County Supervisors

PURPOSE/INTENDED OUTCOME: This AN revises and replaces AN No. 1053 (1910) issued August 1, 1984, and which expired on August 31, 1985. It allows FmHA to use the term "character" when rejecting an applicant.

IMPLEMENTATION RESPONSIBILITIES: Section 333 (b) of the Consolidated Farm and Rural Development Act requires the county committee to certify that an applicant "has the character...to carry out the proposed operations..." However, a rejection letter stating that an applicant lacks "character", without an explanation as to what is meant by the use of that term, could be misinterpreted by the applicant. FmHA Instructions 1941-A, 1943-A, and B specify that the term "character" relates solely to debt repayment ability and reliability. When "character" is used in a rejection letter for an OL, FO, or SW loan there will always be an explanation that the use of that term relates only to the applicant's debt repayment ability and reliability. The facts supporting that determination will be set out in the rejection letter.

FmHA Instruction 1945-D states that emphasis should be given to repayment ability and reliability when evaluating an applicant's character. This means that it is important to consider debt repayment ability and reliability, but other factors may be considered so long as they are legitimate concerns of a government lender such as FmHA. For example, an applicant's lifestyle or personality are not legitimate concerns of FmHA. Also, as we have advised you previously, the fact that an applicant has been arrested or indicted for a crime should not be considered by FmHA when evaluating character. However, the fact that an applicant has been convicted of theft, conversion, tax evasion, misappropriation of funds, or crime involving fraud, for example, is of legitimate concern to FmHA. These kinds of crimes reflect on the applicant's character for conducting business, for dealing with property and for meeting obligations as they become due. Therefore, for EM loans only, it is permissible to consider some factors other than repayment ability and reliability when deciding whether an applicant has the character to carry out the proposed operation. When the term "character" is used in an EM loan rejection letter, there will always be an explanation of the use of that term and facts supporting the determination will be set out in the letter.

Vance L. Clark

VANCE L. CLARK
Administrator

EXPIRATION DATE: September 30, 1986

FILING INSTRUCTIONS: Preceding FmHA Instruction 1910-A

FmHA Farmers Home Administration is an Equal Opportunity Lender
Complaints of discrimination should be sent to
Secretary of Agriculture, Washington, D.C. 20250

FOR YOUR INFORMATION
FYI/FmHA

THE HALLMARK OF FmHA IS SERVICE
- SERVICE WITH COURTESY
- SERVICE WITH DEDICATION
- SERVICE WITH INTEGRITY

Information Staff o Farmers Home Administration o U. S. Department of Agriculture o Washington, D. C. 20250

January 3, 1986 ** FYI/FmHA NUMBER 413

1985 in Review -- Highlights of the Year

JANUARY-FEBRUARY-MARCH

** CHARLES W. SHUMAN, who had served as administrator since August 1981, resigned, effective Jan. 31.

** FmHA reaffirmed its commitment to serve farmers. Annual production loans or subordinations would continue to be made to delinquent borrowers if they had acted in good faith; been unable to make payments because of circumstances beyond their control; applied agreed to management practices; properly maintained security and accounted for the sale of security, and prepared a realistic 1985 farm budget.

** County advisory teams which provided counsel to the Administrator on local operations, began their 1985 series of meetings.

** Administrator Shuman set out five goals for FmHA:

1. To support, strengthen and coordinate field office activity.
2. To develop major, coordinated, and fully operational agency-wide automated systems.
3. To consolidate, streamline, simplify and reduce the costs of programs.
4. To design and implement human resource systems which effectively support the well-being and increase the skills of employees.
5. To employ systems which ensure that FmHA objectives are achieved.

** Secretary Block announced measures to help financially stressed farmers, including establishment of a Farm Credit Coordinating Group, an interest write-down option, an emergency credit assistance program when banks fail, and special action teams to implement the program.

** ASCS agreed to provide assistance to FmHA in processing loan applications. SCS and Extension Service also agreed to provide help and 23 states were authorized to hire more than 1,300 employees for up to four months to process loan applications. The Governor of South Dakota and Iowa later volunteered state personnel to assist FmHA.

** Farmers who could project a 100 percent cash flow became eligible for FmHA assistance. They previously were required to show a 110 percent cash flow.

** By the end of March, special FmHA farm credit support teams had been sent to four states to assist "stranded" borrowers whose local banks had failed.

** Regulations were changed to permit qualified lenders in the Farm Credit System to participate in FmHA's Approved Lender Program (ALP).

APRIL-MAY-JUNE **

** April marked the 50th Anniversary of the signing of an executive order that established FmHA's predecessor agency, the Resettlement Administration, setting off a year-long observance throughout the country.

** GLENN BENNETT, former director of the water and waste disposal division, was named director of the farm real estate and production division.

** The MFH servicing and property management division used USDA's teleconferencing center to conduct two training sessions on the Automated Multi-Housing Accounting System (AMAS). Specialists from all states were in telephone connection with specialists from the National Office for specific instruction on implementing AMAS.

** L. JAMES CHERRY, former assistant deputy administrator for program operations, was named Florida FmHA state director.

** PHILLIPS LEE "JOE" BOYD, rancher and businessman, was named Montana FmHA state director.

** MARY ANN BARON, former confidential assistant to the Administrator, was named director of the legislative affairs and public information staff (LAPIS).

** Five FmHA employees and one district office received USDA's Superior Service Awards:

--MICHAEL L. DUNAWAY, farmer program chief in Arkansas.
--ROBERT O. MUNSEY, district director in Wytheville, Va.
--QUELLEN M. KEITH, assistant district director in Charleston, W.Va.
--ERIC R. SCHMIEDER, county supervisor in Grants, N.M.
--SHEILA A. POTTS, county office assistant in Lafayette, Ala.
--The district office staff in Pryor, Okla., headed by RALPH E. CHILDERS. Staff: GEORGE W. TIPTON, RICHARD S. PITTMAN, MAXINE E. BEISELY, JUDY L. BEAVEN and HELEN B. KENT

** JOHNNY V. CROW, FmHA Tennessee state director served on the Tennessee Food and Agriculture Council which won USDA's Distinguished Service Award and on the Tennessee Rural Development Council which won the Superior Service Award.

** ERNEST A. HELLWEGE, former state ASCS executive director, was named Oklahoma FmHA state director.

JULY-AUGUST-SEPTEMBER

** VANCE L. CLARK, former senior vice president of the Bank of America in California, was nominated to be FmHA Administrator.

** JAMES D. SCHWARTZ, a 19-year FmHA employee, was named director of the water and waste disposal division.

** MADONNA NISSEN of Atlantic, Iowa, was elected president of the National Association of County Office Assistants and County Office Clerks (NACOAC). Other officers are KAREN CROWSTON of Cavalier, N.D.; JANE PRENTICE of Iron Ridge, Wisc., and LYNN MEYER of Little Falls, Minn.

** A wellness program was initiated within FmHA to promote healthier lifestyles among employees. The program focuses on stress management, fitness and exercise, and food and nutrition.

** JIM MONROE of Bellaire, Mich., was elected president of the National Association of County Supervisors (NACS). Other officers are GARY CASE of Warrensburg, Mo., STEVE PRATT of Hazard, Ky., and HARDIN FRANKLIN of Pulaski, Tenn.

** FmHA continued its visiting professor program, a part of the agency's commitment to assist Historically Black Colleges and Universities.

CLARK R. DIERKS, former state treasurer, was named Arizona FmHA state director.

** FmHA officially adopted GTE Telemail as the agency's official electronic mail system, replacing the Comet system.

** HARRIS D. BLAKE, a businessman and civic leader from Pinehurst, N.C., was named associate administrator.

** LOU GALLEGOS, a farmer and rancher, was named New Mexico FmHA state director.

** K. KIRK JAMISON, former president of a production credit association, was named Nebraska FmHA state director.

** FmHA entered into a 10-year contract with Electronic Data Systems (EDS) for computer hardware, software and maintenance for all FmHA offices as well as training for users of the system.

** Jeff Saharsky of Green Bay, Wis., was named the National winner of the Future Farmers of America award program, "Achievement in Volunteerism," a part of the Building Our American Communities (BOAC) program.

** Changes were made in FmHA housing regulations to bring them into closer conformity with those of HUD.

** The Administrator's Advisory Council was established to give advice on field operations. The council includes state directors, district directors, and county office personnel.

OCTOBER-NOVEMBER-DECEMBER

** Major changes were made in FmHA's guaranteed loan program to better serve farmers with severe credit problems. Changes permit "lines of credit" with approved lenders, use of the lender's forms, and faster processing of requests for guarantees.

** Regulations were changed to give applicants the option of having interest rates set at the rate in effect at the time of approval or at closing.

** Servicing regulations (the Coleman regs) for FmHA farm borrowers were issued. The regs detail loan servicing alternatives to farmers who are having economic difficulty.

** DWIGHT O. CALHOUN, FmHA's all-purpose senior manager, was named deputy administrator for financial and administrative operations, replacing CHARLES A. JEWELL, who retired.

** NEAL SOX JOHNSON who served as deputy administrator for program operations for almost four years, was named state-director-at-large, headquartered in Fort Worth, Texas.

** DAVID T. CHEN, a municipal official, was named Oregon FmHA state director.

** Applicants who had tentatively qualified for FmHA housing loans and were subsequently disqualified under new income limits were permitted to have their applications processed to conclusion.

** TIMOTHY J. RYAN, an FmHA employee for six years, was named director of FmHA's personnel division.

** The Marion County, W.Va., chapter of the Future Farmers of America won the National Building Our American Communities (BOAC) award for 1985. Second place went to the Avon Park, Fla., chapter; third place to the Duck Valley, Nev., chapter, and fourth to the Cabool, Mo., chapter.

** SHELLY (KEITH) HAMILTON, a family farmer, was named Georgia FmHA state director.

** During Fiscal Year 1985, FmHA made 170,933 loans and grants for a total of $9.5 billion.

WEDNESDAY, MARCH 12, 1986.

GENERAL AGRICULTURAL OUTLOOK

WITNESSES

ROBERT L. THOMPSON, ASSISTANT SECRETARY FOR ECONOMICS

EWEN M. WILSON, DEPUTY ASSISTANT SECRETARY FOR ECONOMICS

THOMAS V. CONWAY, DEPUTY ASSISTANT GENERAL COUNSEL

JAMES R. DONALD, CHAIRMAN, WORLD AGRICULTURAL OUTLOOK BOARD

STEPHEN B. DEWHURST, BUDGET OFFICER

KEITH J. COLLINS, ASSISTANT DIRECTOR, NATIONAL ECONOMICS DIVISION, ECONOMIC RESEARCH SERVICE

Mr. WHITTEN. The committee will come to order.

We have with us today Mr. Thompson, Mr. Wilson, Mr. Donald, Mr. Conway, Mr. Dewhurst, and Mr. Collins. I guess we can get our handkerchiefs out and get ready for tears, you may go ahead.

Mr. THOMPSON. Thank you, Mr. Chairman. It's a pleasure to appear before your committee this morning. With me I have Keith Collins on my left, the Assistant Director of the National Economics Division of Economic Research Service; Mr. Stephen Dewhurst, Budget Officer, Department of Agriculture; Mr. James Donald, the Chairman of the World Agricultural Outlook Board; Mr. Tom Conway, Deputy Assistant General Counsel; and Ewen Wilson, my Deputy Assistant Secretary for Economics.

Mr. WHITTEN. Do you have the appropriate biographical sketches for the record included?

Mr. THOMPSON. In the record. Yes, sir.

[Biographical sketches follow:]

ROBERT L. THOMPSON, ASSISTANT SECRETARY OF AGRICULTURE FOR ECONOMICS

Robert L. Thompson, 40, was nominated March 20, 1985, by President Reagan to be Assistant Secretary for Economics, U.S. Department of Agriculture. He was officially sworn in by Secretary of Agriculture John R. Block May 16 following confirmation May 15.

For the previous 19 months, he had served as senior staff economist for food and agriculture on the President's Council of Economic Advisers while on leave from Purdue University. As a professor of agricultural economics at Purdue, Thompson's principal areas of work were in agricultural trade policy, U.S. agricultural policy, and world agricultural development.

Thompson was raised on a dairy farm in Ogdensburg, N.Y. where his parents, Mr. and Mrs. Robert M. Thompson still farm. He received his undergraduate degree from Cornell University. During his junior year, he studied in Denmark under the auspices of the Scandinavian Seminar program. He received both his master of science and doctor of philosophy degrees from Purdue.

From 1968-70, Thompson worked with agricultural extension and research services in Laos as a volunteer with International Volunteer Service, Inc. In 1972 and 1973, he served as a visiting professor at the Federal University of Vicosa in Brazil. During 1979-80, he was a visiting professor in the international economics division of USDA's Economic Research Service. In the summer of 1983, he was a research scholar at the International Institute for Applied Systems Analysis, Vienna, Austria.

In 1982, he was the first recipient of Purdue's Agricultural Research Award, given each year for outstanding cumulative research contributions for the past 10 years.

Thompson's membership in professional organizations include the American Agricultural Economics Association, the American Economic Association, the International Association of Agricultural Economists, Sigmi Xi, and Gamma Sigma Delta.

He is married to the former Karen Hansen of Bodilsker, Denmark. They live in Springfield, Va. with their two children, Kristina, 12, and Eric, 10.

EWEN MACLELLAN WILSON, DEPUTY ASSISTANT SECRETARY FOR ECONOMICS

Ewen M. Wilson assumed the post of Deputy Assistant Secretary for Economics at the U.S. Department of Agriculture on June 10, 1985.

Prior to joining USDA, Wilson was a vice president at the American Meat Institute, the national trade association of meat packers and processors, where for nearly 8 years he directed AMI's economics and statistics program. He previously had served as a faculty member and extension specialist at Virginia Polytechnic Institute and State University, and in other academic and extension posts in the United States and overseas.

Wilson has served on several professional boards and committees, among them USDA's Statistical Review Committee, the USDA/U.S. Trade Representative's Agricultural Technical Advisory Committee on Livestock and Livestock Products, the National Livestock and Meat Board Meat and Economics Film Advisory Committee, and the Live Cattle Advisory Committee of the Chicago Mercantile Exchange. He also has served on the Board of Directors of the U.S. Meat Export Federation, and as staff coordinator for the AMI Task Force on Wage and Price Guidelines, he was responsible for planning and organizing the joint annual AMI/Food Marketing Institute Meat Marketing Conference. He is a member of the American Agricultural Economics Association, the Southern Agricultural Economics Association, and the National Association of Business Economists.

Born July 29, 1944 in Kenya, East Africa, Wilson holds a bachelors degree in agriculture from the University of London, a masters degree in agricultural economics from West Virginia University, and a doctorate in economics from North Carolina State University.

He has published articles in various academic and professional journals including the American Journal of Agricultural Economics, Public Choice, Agrekon, and in various trade magazines.

Wilson lives in Falls Church, Virginia, with his wife Kay and their three children.

KEITH COLLINS

Mr. Collins was born in Connecticut. He received a B.S. from Villanova University, an M.A. from the University of Connecticut, and a Ph.D in Economics and Statistics from North Carolina State University in 1973.

Formerly, Section Head and Chief, Crops Branch, National Economics Division, Economic Research Service, U.S. Department of Agriculture.

Currently, Deputy Director, National Economics Division, Economic Research Service, U.S. Department of Agriculture.

THOMAS V. CONWAY

Thomas V. Conway, Deputy Assistant General Counsel, Office of the General Counsel, U.S. Department of Agriculture. Responsible generally for providing legal advice with respect to price support, production adjustment and conservation programs carried out by the Agricultural Stabilization and Conservation Service and the Commodity Credit Corporation.

Mr. **THOMPSON**. Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you to discuss prospects for American agriculture in 1986. With your approval I will submit for the record a detailed agricultural outlook in appendix form, and focus on the points that I feel are most critical at this point in my formal presentation.

OUTLOOK FOR AGRICULTURE

Mr. WHITTEN. You may proceed.

Mr. THOMPSON. For the first time in several years, I think we can view the future of American agriculture with cautious optimism. We are not over the hurdle yet. The difficulties faced by agriculture generally and by many individual farmers will continue in 1986, but now there are signs that the most painful adjustments are behind us. The worst is over, and I believe if certain trends continue, we can expect to see improvement in the farm sector.

American agriculture has been a victim of the inflationary policies of the 1970's and the disinflationary policies of the 1980's. The export boom of the last decade was accompanied by rising farm incomes and rapidly accelerating land values. This ended with the tightened monetary policy of many industrialized countries in the 1980's, necessary to bring inflation under control, which—when coupled with large Government deficits—placed upward pressure on interest rates. This led to the world-wide recession of 1982 and the reduction in agricultural trade.

The United States emerged as a strong economy. Higher U.S. interest rates compared to those abroad, plus more rapid economic growth here and the common belief that the United States is a safe haven for capital, contributed to a sharp increase in the dollar's value. The strong value of the U.S. dollar made our exports far more expensive.

The 1981 farm bill compounded this effect by preventing farm prices from responding to changing markets, making our farm products even less competitive. At the same time, a number of developing countries accumulated huge debts, dampening growth in their agricultural imports.

MACROECONOMICS AND FARM PROBLEMS

Agriculture's severe problems over the last three or four years have reflected these macroeconomic and farm policies. But now these policies are changing for the better. The most important sign of encouragement is the resolve to get our fiscal house in order. Deficit reduction and its positive effects on interest rates and exchange rates are absolutely necessary for recovery of agriculture.

Tax reform legislation also could be crucial. Capital lured into agriculture as a tax shelter has contributed to overproduction. Too many investment and production decisions have been based on tax incentives instead of profit and loss.

Another reason for optimism is that exchange rates are moving in the right direction. A decline in the value of the dollar of about 20 to 30 percent from a year ago will have a positive effect on U.S. farm exports.

We also have seen net cash farm income remain steady and lower interest rates should continue to mean lower production costs and expenses. This improvement in the overall financial situation may improve cash flow to service debt, and credit needs may be lessened. Also, there are indications that the rate of decline in land values may be slowing.

BACKGROUND OF CURRENT FORCES

That's the good news, Mr. Chairman. The bad news is that for those who expect quick fixes resulting from macroeconomic policy changes or from the 1985 farm bill, it's going to take time. Virtually every force we see at work in the current 1985/1986 crop year results from the 1981—not the 1985—farm bill. Living as we have been with provisions of the earlier legislation, we have had loan rates above world market clearing prices. This was one reason our farmers produced record or near-record crops last year, and why our exports will continue to drop in 1986. With exports down, we will be left with record stocks of most commodities at the end of the current marketing year. Even with advance in-kind payments, free stocks in the 1985/1986 marketing year will be tight since huge quantities have been isolated from the market through CCC loan programs, the farmer-owned reserve, and in CCC inventories.

LET THIS FARM BILL WORK

I do not expect this situation of dwindling exports and mounting stocks to turn around as quickly as we would like. Economic forces alone simply do not move that fast, nor do trade barriers come down that easily. At least we have a farm bill that redirects agriculture in the direction of market orientation and flexibility. I would hope that we can work together to let this farm bill work, to give a return to market orientation a chance to address America's farm situation and set it on a path of return to prosperity.

Too many urge ways to create quick fixes, Mr. Chairman, but there are no quick fixes that will be permanent fixes. We simply must have the forbearance to give this legislation time to make the inroads needed by the farm sector. Tools provided in the new farm bill will work for the 1986 crop, and we will see positive results beginning in the 1986/1987 marketing year. Some of the changes won't be dramatic, but they will be in the right direction. For example, the conservation reserve will begin to idle excess erodible acreage. The reduction in loan rates will work over time to reduce production here and abroad. Also, the effective freeze of acreage bases and crop yields cuts the link between direct Government payments and production. This will reduce the incentive to overproduce as a way to receive larger Federal payments.

Lower U.S. loan rates and the resulting lower world prices should cause our competitors to share some of the supply adjustment necessary to bring world production in line with world demand. This also should permit the United States to begin to recapture export market share over time.

In 1986/1987, lower loan rates and the declining dollar should make us really competitive once again in export markets. Even with smaller U.S. production we still will have continued support for farm income under the compassionate provisions of the new farm bill through frozen target prices and larger deficiency payments over the next couple of years. Until then, as we work through the 1985 crop and the last of the 1981 farm bill, and also in the first year of the implementation of the new bill, we will continue to see record Government expenditures and low farm prices. But, Mr. Chairman, this scenario is on the brink of change. I fully expect that, in subsequent years, we will be talking with enthusiasm about a positive outlook for America's farm sector.

Thank you, Mr. Chairman. I welcome the opportunity to answer your questions.

[CLERK'S NOTE.—The full text of Mr. Thompson's prepared statement appears on pages 300–304. The Appendix appears on pages 305 through 366.]

Mr. WHITTEN. Mr. Thompson, I wonder how in the world you can see a rosy picture for agriculture in view of the budget cuts that we have before us.

Representatives of the Department visited my State a few weeks ago. The Farmers Home Administration, as you know, is the lender of last resort. In one county, out of 115 borrowers who have been carried by FMHA in the past, they anticipate that only 35 could qualify for loans this year.

The same thing applies to those who got money from the Farm Credit Administration's local lending agency. And the banks down there are all right on the ragged edge. Under the State law, and it's true in most States, the banker can't afford to tell what kind of serious situation he's in because it will cause a run on the bank and he'd have to close tomorrow.

We've had 120 banks to fail in the past year; about 40 percent of them have been in agricultural areas. Some say that in the next fiscal year about 120 more will fail. This is personal; the amount of stock is not large, but I have stock in two banks. They are both holding companies. Will Rogers said a holding company is a fellow you get to hold you while he searches you.

Our situation here, as a nation—is worse than it's been any time since 1914. In 1973, 1974, 1975 and 1980—we held American farm products off world markets for one reason or another. The exporters were reimbursed for their losses. They paid him, but they paid the farmer nothing for his losses.

Since 1981—and I recently had a chance to point this out to the President—our foreign policy has been financed by American agriculture, and it's got all of our farmers broke. The debt is $212 billion today.

We're providing guns, ammunition, bombs, airplanes to 125 countries when what their people need most is food. We have a $244 billion carry-over in military spending this year. In the present budget, they ask that we increase that carry-over fund for military to $299 billion, unspent at the end of the next year. We just got through conference with the Senate on the conservation reserve that would have the Government rent the farmer's land and take him out of production. At a time when the world is begging for food, we've adopted a policy of paying our farmers not to produce it.

Are you an economist?

Mr. THOMPSON. That's right.

Mr. WHITTEN. I asked Mr. Gramm when he was a force on this Gramm-Rudman, have you noticed that all the people in Congress work on a salary? He said, yes. Have you noticed that? [Laughter.]

Most companies have economists, but I've never heard of any of them turning their business over to economists, have you?

Mr. THOMPSON. That's right, sir.

FARM FINANCIAL CONDITIONS

Mr. **Whitten**. I've had a little economics training myself. How in the world can you come up with the rosy picture that you've presented us? You didn't get that from the budget officer, did you?

Mr. **Thompson**. Mr. Chairman, I tried to emphasize that 1986 will continue to be a difficult year, but I am confident with the macroeconomic policy developments of the recent months, plus the provisions in our farm bill, we've got the conditions in place to turn American agriculture around.

The rosy picture I would paint is for the intermediate run, not for the immediate 1986 picture. I think we can point to several developments in the macroeconomic area that are really going to help.

I would argue that the interest rate is the single most important price affecting the farmer's well-being today.

FARM DEBT

Mr. **Whitten**. Well, between me and you, the record shows that the average farmer owes so much you could forget the interest and he still couldn't pay it. Now, under the law, as you know, the Farmers Home Administration—they could forgo payments; they could forgo interest. We can't get them to do it, but they could. But the head of the Farmers Home Administration, Mr. Clark, testified to this. And I think he said—I know he left the impression—that if we postpone for five years the debt the farmers now owe, that they couldn't have enough cash flow under the present farm bill to hope to pay it. His statement is based on production costs going up. And I just came from the Senate where we talked to our friends there about this: When you cut the volume and cut the price and costs are going up, it takes a good man like you to see a rosy picture in that.

Do you farm?

Mr. **Thompson**. I grew up on a dairy farm, sir.

Mr. **Whitten**. But do you farm?

Mr. **Thompson**. No, I don't farm, myself.

Mr. **Whitten**. I quit as early as I could, too. [Laughter.]

Seriously, I just question the accuracy of any statement you've given us based on the overall picture. Have you studied this picture that I'm describing to you?

Mr. **Thompson**. Yes, we've been studying it intensively. And there is a lot of financial stress out there, but the problem is not as generalized as you've characterized. Certainly, some farmers are insolvent, and probably there's no public policy that can respond to those farmers whose debts exceed their assets by any substantial margin.

Mr. **Whitten**. Why are so many farmers killing themselves if the picture is anything like you see it?

What's the Government going to do when it takes all this land? Is it going to have managers to go down and look after it, or is it going to turn the land over to big operators?

Mr. **Thompson**. I think that there will be an attempt to move the properties back into family farms. I think there's a long-term commitment to maintain our reliance on the family farm, and I think that will continue.

Mr. **Whitten**. You mean like the last depression. Will all the sons and daughters that have moved to the city have to go back to fix up the old house and start sowing crops to have something to eat? Is that what you picture?

Mr. **Thompson**. No. I think there will be more young people moving into agriculture. Land values are at a point now where investments in agriculture are looking much more attractive than they have in the recent past.

SOIL CONSERVATION SERVICE

Mr. **Whitten**. Yesterday we had the Soil Conservation Service here. The Administration recommends that we cut out 3,700 SCS jobs. What would you suggest that they do?

Mr. **Thompson**. With the Soil Conservation Service program?

Mr. **Whitten**. No, but these 3,700 whose jobs are proposed to be discontinued—that's in one agency in your own department. How many folks in your own activity could you spare?

Mr. **Thompson**. I think we have about 2,000 people in the agency.

Mr. **Whitten**. Could you go as low as 1,500? We can't control the number, but we have to make recommendations. Could you get along without 500, say?

Mr. **Thompson**. Well, it would certainly be difficult given the programs that we've just been mandated to operate in the new farm bill, and all the studies that we're mandated to carry out.

Mr. **Whitten**. Where did you get that mandate?

Mr. **Thompson**. In the farm bill that was just passed.

Mr. **Whitten**. That's the bill where the head of FMHA didn't see how the farmer could farm under it and ever come out. Of course, I agree with him, because, if they're going to hold this debt over his head, even if he got it straightened out, he would be facing further losses in the future.

This thing is serious. I still wonder where you could come up with the optimistic views that you have.

Mr. **Thompson**. I think we have a number of programs that are going to permit us to move through this debt problem: for example, the announcement the Treasury Department made yesterday concerning capital forbearance and permitting banks to amortize the capital write-downs when they restructure farm debt. That should permit them to avail themselves of the Farmers Home Administration interest buy-down program.

Mr. **Whitten**. I took the Secretary of the Army with me two years ago to visit NATO. From Brussels we went down to Sicily. Everybody was interested in NATO, but I didn't hear anybody talk about defense and related basic problems. They talked about the local basketball team, how to get the troops interested, new permanent school buildings, how to hire more local people, and those kinds of things.

I just can't see any basis for your rosy view. I guess it's nice to hear you, but we must look at the basic problems facing our farmers.

EQUITY FOR AGRICULTURE

Mr. WHITTEN. Please provide for the record the latest figures showing returns to equity for agriculture and non-farm segments of the economy since 1975.

Mr. THOMPSON. Generally, returns to equity are apparently higher in other sectors of the economy than in agriculture. This is due to large differences in organizational structure and asset mix. A large share of farm sector equity is represented by ownership in farmland where returns are in the form of unrealized capital gains. In contrast, current income was used to calculate the returns shown below. Thus, the relatively smaller share of the farm sector's total return accruing as current income is spread over a relatively larger asset base, thereby biasing the use of this measure in making cross-sector comparisons.

[Additional information follows:]

[In percent]

Year	Ratio of after tax profits to stockholders' equity [1]			Ratio of net income to farmers' equity [2]
	All manufacturing corporations	Durable goods industries	Nondurable goods industries	Farm sector
1975	11.6	10.3	12.9	4.9
1976	13.9	13.7	14.2	2.8
1977	14.2	14.5	13.8	2.1
1978	15.0	16.0	14.2	3.3
1979	16.4	15.4	17.4	3.2
1980	13.9	11.2	16.3	1.1
1981	13.6	11.9	15.2	1.8
1982	9.2	6.1	11.9	1.3
1983	10.6	8.1	12.7	.2
1984	12.5	12.4	12.5	2.8

[1] Source. Quarterly Financial Report for Manufacturing, Mining and Trade Corporations, Department of Commerce, Bureau of the Census.

[2] Source. "Economic Indicators of the Farm Sector, National Financial Summary, 1984," U.S. Department of Agriculture, Economic Research Service, January 1986. Net income equals gross income minus production expenses, interest, and imputed returns to farm operators' labor and management. No adjustment was made for corporate taxes, which are normally less than one-tenth of 1 percent of farmers' equity.

CONSUMER FOOD EXPENDITURES

Mr. WHITTEN. Please provide for the record the latest figures showing consumer food expenditures since 1975, showing farm value and costs between farmer and consumer.

[The information follows:]

COMPONENTS OF U.S. FARM FOOD EXPENDITURES

[In billions of dollars]

Item	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Farm value	55.6	58.3	58.2	69.5	79.2	81.7	83.2	83.7	84.9	90.0	85.1
Labor [1]	48.3	53.8	58.3	66.2	75.2	81.5	91.0	96.6	102.5	111.4	118.6
Packaging	13.3	14.5	15.1	16.6	18.6	21.0	22.8	23.2	24.4	26.7	27.5
Transportation	8.4	9.1	9.7	10.5	11.8	13.0	14.3	14.7	15.5	16.2	16.6
Fuels and electricity	4.6	5.0	5.6	6.3	8.0	9.9	11.6	12.2	12.7	12.9	13.5
Corporate profit before taxes	7.1	7.6	7.9	9.2	9.9	10.9	12.0	13.0	14.8	16.2	17.3
Other	29.7	35.0	36.1	38.6	42.5	46.4	52.8	55.5	60.2	61.2	67.7
Total	167.0	183.3	190.9	216.9	245.2	264.4	287.7	298.9	315.0	334.6	346.3

[1] Labor employed in processing, wholesaling, retailing, and public eating places.

FARMERS' SHARE OF FOOD DOLLAR

Mr. WHITTEN. Please provide the latest figues showing the farmer's share of the food dollar for selected years since 1950.

[The information follows:]

FARMER'S SHARE OF FOOD DOLLAR

Item	1950	1960	1970	1975	1980	1981	1982	1983	1984	1985
Farmer's share of food dollar (percent)[1]	41	33	33	34	31	29	28	27	27	25
Consumer expenditure for farm food (billions)[2]	$44	$67	$106	$167	$265	$288	$299	$312	$345	$346
Farm value (billions)	18	22	35	56	82	83	83	84	90	85
Marketing bill (billions)	26	45	71	111	183	205	216	228	245	261

[1] Based on grocery store expenditures only.

[2] Total expenditure including away-from-home eating.

NUMBER OF FARMS

Mr. WHITTEN. Please provide for the record the latest figures showing the number of farms for selected years since 1950.

[The information follows:]

Year	*Number of farms*
1950	5,648,000
1955	4,654,000
1960	3,963,000
1965	3,556,000
1970	2,949,000
1975	2,767,000
1980	2,433,000
1981	2,434,000
1982	2,401,000
1983	2,370,000
1984	2,328,000
1985	2,285,000

FARM INCOME

Mr. WHITTEN. Please provide for the record the latest figures showing farm income since 1975, including gross income, production expenses, net farm income and net cash income at current prices and adjusted to 1967 prices.

[The information follows:]

GROSS AND NET INCOME, 1975–86

Year	Gross farm income	Farm production expenses	Net farm income		Net cash income	
			Current dollars	1967 dollars[1]	Current dollars	1967 dollars[1]
1975	100.6	75.0	25.5	15.8	29.0	18.0
1976	102.9	82.7	20.2	11.8	29.4	17.2
1977	108.8	88.9	19.9	11.0	27.3	15.1
1978	128.4	101.0	27.4	14.0	34.6	17.7
1979	150.7	119.0	31.7	14.6	37.0	17.0
1980	149.6	129.4	20.2	8.2	37.2	15.1
1981	166.0	136.1	29.8	11.0	35.8	13.1
1982	161.6	136.9	24.6	8.5	38.3	13.2
1983	150.6	135.6	15.0	5.0	38.3	12.8
1984	174.0	139.5	34.5	11.1	39.2	12.6
1985F[2]	163–166	133–135	29–32	9–10	43–46	13–14
1986F[2]	152–156	124–128	26–30	8–10	42–46	12–14

[1] Deflated by the CPI-U, 1967=100

[2] F=Forecast

Net farm income measures net value of production during a given calendar year. It equals gross income minus all production expenses, including the income and expenses associated with operator's dwellings. Besides cash receipts from the sale of commodities, gross income includes all other sources of income including noncash items such as the value of home consumption and the rental value of dwellings, and the value of the change in inventories during the calendar year. Production expenses include all sources of cash expenses plus an estimate of capital consumption to reflect the assets used in the production process.

Despite a 10-percent drop in prices received, near record farm production in 1985 left net farm income at around $30 billion, down from an inventory-inflated $34.5 billion in 1984. In 1986, nominal net farm income is expected to fall again because of lower prices and production levels, but because of record high direct Government payments and falling production expenses, income will remain strong relative to historical levels. The net farm income series, reflecting changing production levels caused by weather and farm programs, has shown a great deal of variability from year to year relative to the trends of the 50s and 60s.

Net cash income excludes all noncash income, inventory adjustments, noncash expenses such as depreciation, and income and expenses associated with the operator dwelling from the estimate of income.

By adjusting inventory levels and taking advantage of government program benefits, farmers' aggregate net cash income remained at a relatively strong level since 1979. Nominal net cash income has exhibited a consistent growth path since the 1940s with the sharp upward movement in the trend realized in the early 1970s being sustained into the 1980s.

PRICES PAID BY FARMERS

Mr. WHITTEN. Please provide for the record the latest figures showing prices received and prices paid by farmers since 1975.

[The information follows:]

PRICES RECEIVED AND PAID BY FARMERS, 1975-86

[Index (1910-14=100)]

Year	Prices received			Prices paid	
	Crops	Livestock	All commods	Prod items	All items [1]
1975	452	474	463	528	613
1976	443	485	464	559	653
1977	433	481	457	579	689
1978	456	595	524	628	745
1979	501	708	602	720	848
1980	539	691	614	798	948
1981	580	688	633	855	1035
1982	524	696	609	865	1078
1983	554	679	615	883	1104
1984	600	701	650	897	1130
1985	523	654	587	873	1121
1986F [2]	460-470	655-665	555-565	835-845	1105-1115

[1] Commodities and services, interest, taxes, and wage rates.

[2] F=Forecast.

Prices received by farmers are likely to decline in 1986 with crop prices declining a tenth and livestock falling slightly. Crop prices fell 13 percent in 1985, because of building stocks, while livestock prices dropped 7 percent. Continuing large supplies relative to demand plus the cut in CCC loan rates will cause 1986 crop prices to fall.

Partly balancing these lower commodity prices in 1986, will be the second consecutive decline in prices paid by farmers for production inputs. The large drop in oil prices, feed prices, and interest rates, together with the general downdrift in most all input prices, will be important in helping to lower farm production expenses and offset part of the decline expected in 1986 cash receipts.

NUMBER OF WORKERS

Mr. WHITTEN. Please provide for the record the latest figures showing the number of farm and non-farm workers for selected years since 1950.

Mr. THOMPSON. Since 1950 the proportion of farm workers in the total civilian labor force has dropped from 11.5 percent to 2.8 percent as both the number of farm workers (operators as well as hired farm workers) declined and the total civilian labor force grew. The farm worker estimate refers to workers in production agriculture. Under a more encompassing view, 19.7 million workers in 1975 and 21.2 million in 1980, or about twenty percent of the total civilian labor force were required to support the production and delivery of food and fiber products to domestic and foreign consumers.

[Additional information follows:]

Year	1,000 Workers			Percent farm workers
	Total civilian [1] labor force	Total farm workers	Nonfarm workers	
1950	62,208	7,160	51,738	11.5
1955	65,023	6,450	55,722	9.9

Year	1,000 Workers			Percent farm workers
	Total civilian [1] labor force	Total farm workers	Nonfarm workers	
1960	69,628	5,458	60,318	7.8
1965	74,455	4,361	66,726	5.9
1970	82,771	3,463	75,215	4.2
1975	93,775	3,408	82,430	3.6
1980	106,940	3,364	95,938	3.1
1985	115,461	3,179	103,971	2.8

[1] Includes unemployed workers.

POPULATION ON FARMS

Mr. WHITTEN. Please provide for the record the latest figures showing what percentage of U.S. total population lived on farms for selected years since 1900.

[The information follows:]

Farm population as a percentage of total

Year	*Percent*
1900	39.2
1920	30.2
1940	23.2
1950	15.3
1960	8.7
1970	4.8
1980	2.7
1985	2.2

FARM DEBT

Mr. WHITTEN. Please provide for the record the latest figures showing farm debt for selected years since 1950 and comparisons of debt-to-asset ratio and debt-to-net farm income ratio.

Mr. THOMPSON. Total farm debt increased more than seventeenfold from 1950 to 1983 in nominal terms. Since 1983 total farm debt has shrunk by roughly 5 percent. In the 1950s and 1960s, farm debt approximately doubled in size every ten years. During the 1970s, farm debt nearly doubled every five years.

The debt-to-asset ratio for the sector nearly doubled between 1950 and 1970, growing from 9.5 percent to 18.0 percent. During the 1970s this ratio experienced very little change. In the 1980s, however, the debt asset ratio has risen from 18.0 to 23.2 percent.

There has been a general upward trend in the debt-to-net farm income ratio over this period, but during the 1980s this ratio has deteriorated relative to earlier decades.

[Additional information follows:]

FARM DEBT, DEBT-TO-ASSETS, AND DEBT-TO-NET INCOME (1950–84) [1]

Year	Total farm debt [2] (millions)	Debt to asset ratio (percent)	Debt to net farm income ratio (percent)
1950	$10,865	9.5	79.6
1955	15,090	12.3	133.5

FARM DEBT, DEBT-TO-ASSETS, AND DEBT-TO-NET INCOME (1950–84) [1]—Continued

Year	Total farm debt [2] (millions)	Debt to asset ratio (percent)	Debt to net farm income ratio (percent)
1960	22,405	13.6	199.8
1965	35,817	16.8	277.7
1970	48,607	18.0	338.3
1971	53,045	18.3	353.4
1972	58,439	17.6	300.3
1973	67,370	16.3	196.1
1974	75,636	17.2	277.4
1975	84,843	16.7	332.1
1976	95,922	16.4	475.4
1977	110,363	17.5	555.1
1978	126,253	16.8	460.6
1979	150,090	16.9	473.4
1980	165,396	17.0	819.6
1981	180,945	18.8	606.3
1982	188,230	20.8	763.8
1983	191,687	21.2	1,278.2
1984	190,165	23.2	550.7

[1] Source: Economic Indicators of the Farm Sector, National Financial Summary, 1984, U.S. Department of Agriculture, Economic Research Service, Washington, D.C., January, 1986.

[2] Excludes CCC and farm household debt.

LAND VALUES

Mr. WHITTEN. Please provide for the record the latest figures showing changes in land values in major areas since 1975.

[The information follows:]

AVERAGE VALUE OF FARM REAL ESTATE, 1975–86

[Dollars per acre]

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Northeast:												
Maine	341	375	414	464	538	594	642	680	708	750	856	993
New Hampshire	564	625	696	787	919	1,004	1,078	1,136	1,174	1,244	1,419	1,646
Vermont	462	496	533	584	660	721	774	815	842	893	1,017	1,180
Massachusetts	961	1,044	1,138	1,261	1,443	1,608	1,752	1,874	1,963	2,081	2,372	2,752
Rhode Island	1,500	1,650	1,821	2,045	2,370	2,523	2,646	2,729	2,760	2,926	3,335	3,869
Connecticut	1,525	1,645	1,780	1,960	2,227	2,387	2,517	2,610	2,655	2,814	3,208	3,721
New York	510	553	587	600	670	720	773	821	817	842	808	824
New Jersey	1,807	2,106	2,211	2,386	2,701	2,947	3,040	3,181	3,140	3,234	3,525	3,913
Pennsylvania	734	820	994	1,115	1,273	1,464	1,568	1,513	1,520	1,642	1,510	1,450
Delaware	971	1,114	1,250	1,350	1,500	1,798	1,928	1,787	1,829	1,866	1,642	1,757
Maryland	1,060	1,280	1,353	1,579	1,800	2,238	2,530	2,376	2,121	2,185	2,097	1,887
Lake:												
Michigan	553	609	778	877	975	1,111	1,289	1,278	1,223	1,223	1,052	936
Wisconsin	434	496	598	718	856	1,004	1,152	1,144	1,113	1,046	847	711
Minnesota	429	529	672	761	901	1,086	1,281	1,272	1,165	1,083	823	609
Corn Belt:												
Ohio	706	846	1,099	1,224	1,483	1,730	1,831	1,629	1,504	1,444	1,126	1,013
Indiana	720	888	1,188	1,357	1,589	1,863	2,031	1,804	1,610	1,594	1,259	1,058
Illinois	846	1,062	1,458	1,625	1,858	2,041	2,188	2,023	1,837	1,800	1,314	1,143
Iowa	719	920	1,259	1,331	1,550	1,840	1,999	1,889	1,684	1,499	1,064	841
Missouri	396	456	548	641	726	902	990	945	856	856	659	606
Northern Plains:												
N. Dakota	195	236	274	300	347	405	436	455	439	439	360	317
S. Dakota	145	163	194	227	256	292	329	349	348	338	250	215
Nebraska	282	363	420	412	525	635	729	730	701	617	444	364
Kansas	296	342	398	418	501	587	619	628	601	583	466	387
Appalachian:												
Virginia	558	633	701	774	930	1,028	1,118	1,096	1,125	1,114	1,091	1,146

AVERAGE VALUE OF FARM REAL ESTATE, 1975-86—Continued

[Dollars per acre]

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
W. Virginia	300	393	430	459	592	669	681	723	688	667	554	537
N. Carolina	590	676	759	830	1,051	1,219	1,340	1,297	1,314	1,380	1,242	1,130
Kentucky	427	514	619	715	861	976	1,033	1,058	1,049	1,007	906	870
Tennessee	467	528	618	736	860	976	1,070	1,040	1,014	1,044	982	992
Southeast:												
S. Carolina	467	515	600	653	773	900	972	980	946	927	899	872
Georgia	474	507	581	685	777	985	971	926	929	910	865	822
Florida	685	763	861	981	1,149	1,381	1,565	1,518	1,576	1,608	1,527	1,435
Alabama	364	425	477	527	639	780	910	885	826	809	769	761
Delta:												
Mississippi	379	408	461	567	681	819	1,034	981	894	939	835	752
Akransas	419	475	542	606	770	918	1,056	1,096	972	933	849	705
Louisiana	512	575	665	818	1,001	1,256	1,454	1,414	1,351	1,351	1,256	1,005
Southern Plains:												
Oklahoma	302	345	394	450	512	614	681	725	699	699	566	481
Texas	243	274	299	337	386	436	468	539	544	593	652	541
Mountain:												
Montana	112	134	157	176	196	235	251	271	259	264	222	204
Idaho	339	386	454	515	585	698	774	839	814	814	749	644
Wyoming	80	98	110	121	144	161	180	193	193	197	177	154
Colorado	188	219	256	273	322	387	434	451	454	468	435	357
New Mexico	78	86	101	112	143	185	192	195	178	182	163	134
Arizona	111	122	138	154	199	267	287	302	289	295	265	231
Utah	188	227	271	308	400	530	567	589	560	571	514	478
Nevada	85	98	112	140	191	248	262	268	249	254	229	199
Pacific:												
Washington	350	438	535	602	692	736	877	922	933	961	923	812
Oregon	250	294	342	414	504	587	668	705	705	698	579	521
California	653	711	759	914	1,186	1,424	1,732	1,900	1,918	1,918	1,726	1,571
Total 48 States	340	397	474	531	628	737	819	823	788	782	679	596

INCOME SPENT FOR FOOD

Mr. WHITTEN. Please provide for the record the latest figures showing the percent of income spent for food in U.S. and other selected countries including Russia.

[The information follows:]

EXPENDITURES FOR FOOD AS A PERCENT OF PRIVATE FINAL CONSUMPTION EXPENDITURES

Country	Food in 1970 (percent)	Food in 1983 (percent)
Hong Kong	31.2	[5] 18.8
Zimbabwe	24.3	[5] 16.2
Netherlands	22.0	14.8
Luxembourg	23.8	[3] 16.5
Austria	26.1	18.5
USSR	[1] 35.0	[3] 25.6
UK	19.5	14.5
Japan	26.2	20.3
Belgium	24.1	19.0
Portugal	41.7	[4] 33.0
France	22.0	17.6
Cyprus	[2] 34.9	[4] 28.2
Denmark	20.6	16.7

EXPENDITURES FOR FOOD AS A PERCENT OF PRIVATE FINAL CONSUMPTION EXPENDITURES—Continued

Country	Food in 1970 (percent)	Food in 1983 (percent)
Italy	32.2	26.2
Finland	24.0	19.6
USA	14.3	11.7
Norway	24.4	20.1
Hungary	33.3	[5] 27.9
West Germany	22.0	18.5
Ireland	27.2	[5] 23.1
India	63.0	[5] 53.7
Spain	33.2	[4] 28.7
Singapore	27.7	[5] 24.0
South Korea	47.4	[5] 41.0
Sri Lanka	54.2	[5] 47.0
Thailand	46.4	[5] 40.3
Australia	18.3	16.0
Mexico	34.9	[5] 30.6
Sweden	20.6	18.2
Jordan	50.0	[4] 44.2
Canada	15.1	13.5
Switzerland	21.8	[5] 20.0
Colombia	33.4	[4] 31.6
Malta	31.7	[5] 30.1
Philippines	51.9	[5] 49.9
Poland	37.2	[5] 36.8
Puerto Rico	23.3	[5] 23.6
Honduras	40.8	[5] 41.4
Fiji	24.0	[4] 25.3
Greece	35.5	37.5
South Africa	23.2	[5] 25.3
Venezuela	31.1	[5] 37.2

[1] For 1975.
[2] For 1972.
[3] For 1980.
[4] For 1981.
[5] For 1982.

Source: United Nations Yearbook of National Accounts Statistics, 1982, Vols. II and III, OECD, National Accounts Volume II, 1971–83, Paris, France, 1983.

COST OF FOOD TO CONSUMER

Mr. WHITTEN. Please provide for the record the latest figures showing the dollar cost of food to consumers in U.S. and other selected countries.

Mr. THOMPSON. Ten of the twenty cities had lower food costs during November 1985, but because of higher salaries, the work time required to pay for food results in a much more favorable comparison for Washingon.

[The information follows:]

WORLD FOOD PRICES—FAS SURVEY OF AVERAGE RETAIL FOOD PRICES IN SELECTED WORLD CAPITALS, NOVEMBER 1985

[In U.S. dollars per kilogram or units as indicated, converted at current exchange rates]

Item	Bern	Bonn	Brasilia	Buenos Aires	Canberra	London	Madrid	Mexico City	Ottawa	Paris	Pretoria	Rome	Seoul	Stockholm	Tokyo	Washington metro
Steak, sirloin, boneless	22.40	[1] 8.32	3.18	1.65	5.13	11.39	6.90	2.42	5.88	9.47	2.87	8.19	7.62	15.14	30.45	8.80
Roast, pork, boneless	8.44	3.95	3.36	2.91	3.36	3.90	5.35	2.76	4.62	5.24	2.43	4.97	4.18	16.24	7.93	4.67
Broilers, whole	2.61	1.79	1.00	1.22	2.33	2.38	2.38	1.21	1.58	3.76	.81	3.18	2.00	4.92	3.85	1.78
Eggs, large, dozen	2.81	.91	.43	.54	1.29	1.52	.93	.50	.94	1.07	.53	.93	1.10	1.98	1.51	1.06
Butter	7.87	3.28	2.51	2.94	2.44	2.82	6.10	2.13	4.11	3.66	2.03	3.48	4.58	4.22	7.88	5.07
Cheese, cheddar, emmenthaler	7.92	5.28	2.72	5.00	3.53	3.44	6.40	6.40	6.87	6.29	2.48	5.92	9.61	6.80	5.91	6.28
Milk, whole, liter	.75	.42	.24	.36	.44	.53	.42	.19	.85	.55	.31	.59	.90	.55	.94	.50
Oil, cooking, liter	2.74	1.12	.68	1.65	1.83	1.52	1.56	.69	1.52	1.96	1.41	1.09	1.46	5.35	1.96	2.78
Potatoes	.58	.21	.32	.30	.40	.33	.14	.17	.14	.50	.29	.28	.43	.55	1.19	.64
Apples	1.31	.86	1.30	.91	.69	1.03	.45	.70	1.58	1.00	.81	.85	1.21	1.66	1.77	1.41
Oranges	1.19	.97	.21	.60	.83	1.44	.61	.10	1.42	1.04	.49	1.02	[2] 1.01	1.41	1.44	1.39
Flour	.96	.51	.24	.22	.68	.37	.49	.32	1.15	.78	.39	.36	.31	.81	.86	.57
Rice	1.52	1.22	2.83	1.10	.71	1.20	1.13	.28	1.88	1.56	.67	1.12	1.04	2.05	1.82	1.01
Sugar	.66	.74	1.87	.47	.49	.66	.64	.15	.33	.78	.39	.73	.78	.92	1.30	1.04
Coffee	9.51	9.14	3.97	7.25	8.07	8.51	6.02	1.91	6.12	7.23	7.41	7.84	12.56	7.67	16.68	7.52
Total	71.27	38.72	24.86	27.12	32.22	41.04	39.52	19.93	38.99	44.89	23.32	40.55	[3] 48.79	70.27	85.49	44.52
Total May 1985	60.84	32.42	17.29	27.20	36.44	34.78	35.76	36.76	40.22	36.77	25.85	35.73	[4] 37.69	60.64	74.00	44.89

[1] Steak, sirloin, bone in. [2] Tangerines, medium-quality. [3] Orange price excluded. [4] Orange and cheese prices excluded.

Note.—1 kilogram equals 2.2046 lbs; 1 liter equals 1.0567 qts.

TIME REQUIRED TO PURCHASE COMMODITIES

Mr. WHITTEN. Please provide for the record the latest figures showing the hours and minutes of work required to purchase various commodities in selected capitals of the world.

Mr. THOMPSON. The data, developed by the Foreign Agricultural Service, is old, but indicates that Washington compares favorably with other capitals. Washington required the least labor for seven of the 21 food items. Other low cost capitals include Ottawa and The Hague.

[Additional information follows:]

TIME SPENT BY WORKERS TO EARN RETAIL VALUE OF FOOD PRODUCTS IN SELECTED WORLD CAPITALS, MID-1978 [1]

[Hours and minutes required to purchase 1 kg, except where other unit of measure is indicated]

City	Steak, sirloin, boneless	Roast, chuck, boneless	Pork chops	Roast, pork boneless	Ham, canned	Bacon, sliced pkgd	Broilers, whole	Eggs, dozen	Butter	Margarine	Cheese Cheddar, Edam or Gooda
Bonn	2:08	1:17	0:55	1:49	(2)	1:26	0:20	0:13	0:41	0:22	0:52
Brasilia	3:46	3:17	4:28	8:31	9:36	10:27	2:01	1:23	4:14	1:50	7:38
Brussels	1:47	:56	:48	:48	1:11	:45	:25	:11	:44	:38	:52
Buenos Aires	1:02	:35	1:28	(2)	(2)	3:25	1:02	:34	2:20	1:58	3:02
Canberra	1:24	:45	:59	:58	1:28	1:21	:32	:16	:31	:28	:50
Copenhagen	1:46	:46	:56	:58	:46	:50	:18	:13	:26	:13	:43
London	3:20	1:39	1:27	1:14	1:12	1:34	:35	:24	:46	:35	1:00
Mexico City	3:55	3:47	3:48	5:08	(2)	4:46	2:34	:40	4:29	2:04	9:38
Ottawa	1:02	:37	:46	:36	:53	:35	:22	:08	:26	:25	:44
Paris	2:43	1:32	1:55	1:53	2:49	3:12	:57	:27	1:23	:31	1:20
Pretoria	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Rome	2:32	2:13	1:16	1:16	1:15	1:16	:47	:23	1:08	:28	1:10
Stockholm	2:06	1:17	1:01	1:47	1:14	1:00	:35	:17	:32	:23	:53
The Hague	2:01	1:10	1:05	1:18	1:04	1:34	:24	:10	:45	:16	:57
Tokyo	6:11	4:14	2:18	2:19	2:50	1:35	:42	:13	1:79	:44	:52
Washington	:51	:33	:44	:41	:67	:40	:14	:07	:34	:15	:53

	Milk, whole liter	Oil, cooking, liter	Tomatoes	Onions, yellow	Potatoes	Apples	Oranges, dozen	Bread, white, pkgd	Rice	Sugar
Bonn	0:05	0:21	0:19	0:10	0:04	0:12	0:24	0:08	0:17	0:08
Brasilia	:30	1:48	:37	1:42	:55	2:20	:49	1:56	:55	:38
Brussels	:05	:17	:20	:05	:03	:14	:19	:10	:10	:09
Buenos Aires	:12	1:30	:20	:24	:11	:33	:53	:33	:41	:28
Canberra	:07	:26	:16	:08	:05	:11	:29	:13	:13	:07
Copenhagen	:04	:17	:22	:10	:06	:16	:20	:13	:11	:11
London	:08	:34	:32	:10	:07	:32	:38	:14	:20	:10
Mexico City	:25	1:36	:58	:06	:26	2:15	:49	:47	:45	:23
Ottawa	:07	:17	:17	:07	:05	:16	:20	:08	:13	:04

Pretoria	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Rome	:08	:16	:19	:10	:05	:19	:53	:13	:19	:13
Stockholm	:04	:46	:31	:13	:08	:16	:20	:19	:14	:08
The Hague	:05	:16	:10	:05	:02	:07	:16	:07	:11	:08
Tokyo	:11	:29	:17	:07	:14	:38	2:54	:17	:17	:14
Washington	:05	:23	:15	:05	:06	:17	:22	:11	:10	:07

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[1] Mid-1979 national average for production workers, calculated in local currencies.

[2] Not available.

AGRICULTURAL EXPORTS AND IMPORTS

Mr. Whitten. Please provide for the record the latest figures showing agricultural exports and imports since 1975 and forecast for 1986.

[The information follows:]

U.S. AGRICULTURAL TRADE, FISCAL YEAR 1975–86

[In billions of dollars]

Year	Exports	Imports	Export surplus
1975	21.8	9.4	12.4
1976	22.7	10.5	12.0
1977	24.0	13.4	10.6
1978	27.3	13.9	13.4
1979	32.0	16.2	15.8
1980	40.5	17.3	23.2
1981	43.8	17.2	26.6
1982	39.1	15.5	23.6
1983	34.8	16.3	18.5
1984	38.0	18.9	19.1
1985	31.2	19.7	11.5
1986(F)	28.0	21.0	7.0

EXPORTS

Mr. Whitten. Please provide for the record the latest figures showing the share of major crops exported since 1975.

Mr. Thompson. U.S. exports of major crops as a share of production are reported on the attached table and chart. The export share of each crop peaked near 1980, and except for the distortion in 1983 which resulted from the PIK Program, the shares have been declining. For the 1985–86 crop year, the shares for all commodities except soybeans are expected to fall dramatically to their lowest level in the last decade.

[The information follows:]

SHARE OF MAJOR CROPS EXPORTED SINCE 1975

[In percent]

Crop year	Wheat	Corn	Soybeans [1]	Cotton	Rice
1975–76	55	29	47	40	42
1976–77	44	27	56	45	55
1977–78	55	30	51	38	73
1978–79	67	29	51	57	57
1979–80	64	31	50	63	63
1980–81	64	35	53	53	63
1981–82	64	24	58	42	45
1982–83	55	23	52	44	45
1983–84 [2]	59	45	56	88	71
1984–85	55	24	41	48	45
1985–86 estimate [3]	37	16	46	15	42

[1] Meal exports converted to bean equivalent.

[2] Drought year, plus Payment-in-Kind acreage reduction programs in effect.

[3] World Agricultural Supply and Demand Estimates. April 1986.

FARM INCOME

Mr. **Whitten**. Please provide for the record the latest figures showing the source of income for large and small farms since 1975.

[The information follows:]

SOURCE OF INCOME FOR FARMS BY SALES CLASS

[In millions of dollars]

Year	$250,000 and over			$40,000 to $249,999			Less than $40,000		
	Net farm	Off farm	Total [1]	Net farm	Off farm	Total [1]	Net farm	Off farm	Total [1]
1975	10,357	483	10,842	9,431	2,295	11,726	2,358	21,123	23,482
1976	11,148	610	11,758	8,922	2,771	11,693	1,653	23,299	24,953
1977	10,428	610	11,038	7,660	2,800	10,459	713	22,710	23,424
1978	14,140	911	15,051	9,635	3,674	13,309	1,507	25,118	26,626
1979	16,685	1,210	17,894	9,532	4,397	13,930	446	28,234	28,679
1980	19,000	1,359	20,360	7,970	4,654	12,624	−861	29,134	28,272
1981	19,615	1,519	21,134	6,252	4,981	11,233	−1,775	30,363	28,587
1982	18,754	1,220	19,974	9,192	5,609	14,801	−1,872	31,024	29,151
1983	18,550	1,274	19,824	9,224	5,723	14,947	−2,211	31,797	29,585
1984	19,516	1,334	20,850	9,458	5,884	15,343	−2,272	32,795	30,524

[1] Components may not add to total because of rounding error.

PRODUCTIVITY

Mr. **Whitten**. Please provide for the record the latest figures showing a comparison of output and productivity of farm and nonfarm enterprises since 1975.

[The information follows:]

FARM AND NON-FARM OUTPUT AND PRODUCTIVITY INDICES (1977=100)

Year	Output		Multifactor productivity	
	Farm [1]	Nonfarm [2]	Farm [1]	Nonfarm [2]
1975	95	88	99	94
1976	97	94	98	97
1977	100	100	100	100
1978	104	106	102	101
1979	111	108	105	99
1980	103	106	101	97
1981	118	109	116	97
1982	116	106	117	96

FARM AND NON-FARM OUTPUT AND PRODUCTIVITY INDICES (1977=100)—Continued

Year	Output		Multifactor productivity	
	Farm [1]	Nonfarm [2]	Farm [1]	Nonfarm [2]
1983	95	111	100	99
1984	111	121	116	103

[1] Economic Research Service.
[2] Private non-farm business sector, Bureau of Labor Statistics.

Output: The farm sector output compared to the non-farm sector is much more variable. The smaller size of the farm sector, susceptibility to weather, and farm program-induced output changes contribute to this greater variability.

Productivity: While much more variable, farm sector productivity equalled or exceeded that of the non-farm sector in every year since 1975. Productivity in the non-farm sector may have been suppressed, relative to the farm sector, by the influx of young, less experienced workers into the labor force; added costs of pollution abatement; increased costs of protecting workers' health and safety; and less private and public R&D and technology transfer funding.

CCC INVENTORIES

Mr. WHITTEN. Please provide figures showing quantities of major commodities in CCC inventories as of the end of FY 1985. Compare these with CCC inventories as of 1980, 1975, 1970, 1965, 1960, 1955, 1950, 1945, and 1940.

[The information follows:]

QUANTITIES OF MAJOR COMMODITIES IN CCC INVENTORIES [1]

Commodity and unit	1940	1945	1950	1955	1960	1965	1970	1975	1980	1985 [2]
Corn (mil. bu.)	176	1	399	758	1,471	530	215	([3])	254	240
Sorghum (mil. bu.)	([3])	([3])	45	47	577	493	163	([3])	44	121
Wheat (mil. bu.)	0.7	77	271	889	1,133	572	283	([3])	203	464
Rice [4] (mil. cwt.)	([3])	([3])	0.4	22.4	2.9	0.8	6.9	([3])	1.7	41.3
Cotton (mil. bale)	6.2	3.2	0.1	8.0	5.0	10.2	2.1	([3])	([3])	0.1
Dairy products (mil. lbs.)	0.1	([3])	474	685	346	163	231	450	1,282	2,048

[1] Excludes crop products. Inventories as of Dec. 31, except where noted.
[2] Inventories as of Sept. 30.
[3] Less than 500,000 units; for cotton and rice, less than 50,000 units.
[4] Rough plus milled in rough equivalent (1 cwt rough = 0.71 milled cwt).

Mr. WHITTEN. Mrs. Smith?

INTEREST RATES

Mrs. SMITH. Thank you, Mr. Chairman.

We're glad to have you here this morning. I'm just hoping that from you folks I will be able to find some answers that will really be helpful to the people out in my Congressional district. You may know that I come from the second most agricultural district in the nation, and one of the hardest-hit districts.

I was much interested in hearing you say that lowering interest rates is one of the most important things that we can do for agriculture, and I agree fully with you. But what I want to ask is, when is this decrease in the prime rate nationally going to filter down to us out there in the heartland of the productive area? And when is it going to benefit us?

Let me tell you a little bit about the situation. The Federal Land Bank told me optimistically that they are going this spring to lower their rate to 12.75 percent from what has been 13.5 percent; 12.75 percent is still way too high. It's not competitive. The former President of the Corn Growers told me last night that he was able to restructure his loan at a little bit below 10 percent, but only the pure gold people out there can restructure at a lower rate.

The Federal Land Bank interests are too high. The PCA is not being competitive in their interest rates. And you know that in Nebraska, Mr. Chairman, we've had 22 banks fail. Moreover, in one general area in my district we've had four banks fail. Those folks have no place to get money unless they can qualify for FmHA. This is why I was so thankful for the President's announcement yesterday to transfer $700 million. But available credit is very tight, and the banks that we have left are being extremely careful to charge high enough rates to help cover some of the losses they know they're going to incur, and they're making money available on a very tight basis.

What's the outlook for credit in these hard-hit areas?

Mr. THOMPSON. I think, Mrs. Smith, you appropriately hit the most important issue affecting farmers' bottom line today. Last year, total interest payments by American farmers were $22 billion; that's only slightly less than net farm income was. So I think it really puts in perspective that the interest rate is the single most important price affecting the farmers' bottom line.

What are the prospects? I think one very important thing that's going to relieve some of the credit constraint this spring is the fact that we're moving $3 billion to $4 billion of advanced deficiency payments into the rural areas very soon, as soon as the $5 billion bill is approved. It will permit us to release the checks to farmers who signed up for this year's commodity programs. That will get about $3 billion in advance cash deficiency payments moving out, and then there will be another $1 billion or so worth of the PIK certificates coming out about the first of May. That will relieve some of the immediate stress.

FARM CREDIT SYSTEM

You cite the Farm Credit System entities, the Federal Land Bank and the PCA's. Their interest rates have been slow to come down; but the Farm Credit System reform package that was put together by the Congress and signed by the President in December should help to bring interest rates down within the Farm Credit System. That package restored the confidence in the bond market and in the Farm Credit System's paper. They were immediately able to start borrowing money again on Wall Street within 30 to 40 basis points over the Treasury cost of borrowing. That hasn't gotten passed all the way back through the system yet because there are still a lot of nonperforming loans in the local portfolios. But the provisions of that act concerning the Farm Credit System

Capital Corporation provide the mechanism by which we can move some of those nonperforming loans out of the local rate bases into the Capital Corporation. When that system is working, that ought to pull down the local interest rate charged by the Farm Credit System entities, as well.

Mrs. SMITH. Representatives of the Farm Credit System met with me the other day about this issue. They're going to meet with me again later this morning. I pursued this issue with them, and they stated, optimistically, that they were going to be able to lower their interest one half of one percent because of debt rollover and because they were now in a better shape. But that only brings it to 12.75 percent, and that is really—in no way—anything that is going to help the producers. You know, when we passed that act we were trying to help the farmers and the ranchers, but the folks out there don't feel they're being helped because even though the Farm Credit System is in better shape, they're not making anything available to our people that they can really use.

Mr. THOMPSON. Well, they are being more cautious in the lending practices; there's no question about it.

Mrs. SMITH. Well, that's an improvement, but that doesn't help the fellow that's paying 13.5 percent interest.

Mr. THOMPSON. I understand. But the Farm Credit System entities can also avail themselves of the debt restructuring program of Farmers Home Administration. That means they will have to absorb some write-down of capital, but if they can write down the interest rate 2 percent, the Farmers Home Administration—with nearly half a billion dollars for debt restructuring—will buy down the interest rate another 2 percent. A 4-percent reduction in interest rate is a significant drop.

Mrs. SMITH. Oh, I've got the figures on what it means. But, now, how is that taking hold? That was announced, I think, two or three weeks ago.

Mr. THOMPSON. Yes.

AGRICULTURAL BANKS

Mrs. SMITH. Are we getting any success out of that?

Mr. THOMPSON. That's under Frank Naylor's jurisdiction, and I really don't have any information on how the implementation is going.

However, the announcement by the Treasury Department yesterday, concerning the way the regulators will treat individual local banks' capital on these debt restructuring programs, ought to really open that program up much more readily to the local banks. Those banks are not going to sacrifice as much capital when they write down the loan or reduce the interest payments in order to avail themselves of that program.

Thus, the conditions are in place to permit the full implementation of that program, and as we both agreed, the 4-percent reduction of interest rates to farmers will be a salvation for people who are heavily debt-stressed.

LAND VALUES

Mrs. SMITH. There's no question, if it can be worked.

I was interested in noting that you said that investments in land were beginning to look more attractive.

Mr. Chairman, the happiest thing that happened to me last weekend was when I met a friend at the airport, and he said, "I bought a farm yesterday." We hadn't had anybody buy a farm for a long time. But when I think about him buying that farm, and I remember the number of farms that the Farmers Home Administration and the Farm Credit Administration have told me they're foreclosing on in my State—and I'm not going to announce the number of farms because I'm afraid it might get out at home and make folks feel even worse than they do now; when you hear the number that are being foreclosed, then you know we are in a big bind.

Now, my question is, our land has decreased about 50 percent in value. What indication do you have that the decline in land values may be bottoming out?

Mr. THOMPSON. Our annual agricultural finance survey is taking place now, even as we speak. February and March are the months when we carry out this annual survey. Although we don't have up to date information, the midwestern Federal Reserve Banks do carry out some surveys around November and December, and the evidence they give is that the reduction in land prices has slowed down. We're beginning to see more movement of land in the Midwest, more sales. More local banks, when they pencil out loans, find that the loans will cash flow. I think we have to expect that land loans in the future are going to be on the basis of cash flow, not on expected inflation of land values, the situation we got into in the late 1970's.

Having said that, as I indicated in the formal testimony, the reduction in land values definitely appears to be slowing, and with the large deficiency payments that are going to be made, the conditions are probably in place that would cause land values to bottom out in another year.

Mrs. SMITH. I have one more question about the dollar's decline in value. I notice it's gone down 20 percent and, of course, that is very significant. You say that we should be recapturing our share of the export market over time. How soon do you think we can expect to see some increases in agricultural exports?

FARM EXPORTS

Mr. THOMPSON. We are projecting a further reduction in agricultural exports this year, but we hope that they will turn around in the coming year. The dollar did start down last year; we normally expect a 1- to 2-year lag in the effect of the dollar decline, or change in the exchange rates and changes in trade. But we've got the 25-percent reduction in loan rates that was permitted under the new farm bill; we've announced that for the coming year. The combination of that and the dollar decline, we feel, will get us back in a competitive position, not only to capture the growth in the international market but hopefully, also to recapture some lost sales. It's not going to turn around overnight; I would be deluding anyone to say that it's going to be an instantaneous adjustment. I think we're talking about a couple of years to really get back into that market, especially with another year of decline this year, because we're still operating under the loan rates put into law in the 1981 farm bill. New loan rates don't take effect until this summer.

I would like to qualify the exchange rate point in one minor way. The dollar's decline is not helping all farm exports yet. If you look at the countries we compete with in the wheat market—Australia, Canada and Argentina—their currencies have all gone down more than ours in the last 12 months. So in the wheat market, we're in worse shape on the exchange rate today than we were a year ago. That's something we do have to keep in mind when we look at global averages of exchange rates.

We sell corn and soybeans to higher-income countries against whose currencies the dollar has declined much more rapidly, so we're going to see much more benefit from lower exchange rates in the coming year.

One of the other important benefits of that exchange rate decline and our cut in loan rates is that it makes the common agricultural policy and its associated export subsidies much, much more expensive than a year ago. Also I think the financial bind on the European Community budget because of the decline in world commodity prices due to our drop in loan rates and the weaker U.S. dollar is going to help pace the reform of the Common Agricultural Policy.

When you take these factors, together with the entrance of Spain and Portugal, which is also going to strain that budget, and the fact that France is now a net contributor—not a net recipient—of the Common Agricultural Policy, I think, we are moving in the direction of bringing the Common Agricultural Policy to some reform.

So this may be one of the more important long-term benefits of the weakening of the dollar.

PRIME RATE

Mrs. SMITH. When is the decrease in the prime interest rate going to hit our agricultural sector?

Mr. THOMPSON. The effects of the falling prime rate have already been felt in the agricultural sector. Both the prime rate and the rate commercial banks charge for farm production loans peaked in the third quarter of 1984 at 13 and 14.8 percent, respectively. Fourth quarter 1985 commercial bank loan rates fell to an average of 12.5 percent. Commercial bank loan rates continue to vary widely, however, with charges ranging from 9 to 15 percent and with rates at small banks averaging 1 percentage point higher. Rates averaged 12 percent at Production Credit Associations (PCA's) during the fourth quarter of 1985, down 1-1.5 percent from late 1984 and early 1985. PCA rates have been and continue to be somewhat lower than the average commercial bank rate.

While both the prime and the farm production bank loan rate have been declining, the prime rate has fallen faster. At their peak, there was a 1.8 percentage point premium between the prime rate and the rate for farm production loans. This premium increased to 3 percentage points during the fourth quarter of 1985 and has worked to minimize the impact falling interest rates have had on the farm sector. This widening margin may reflect a perception among bankers that financing farm loans has become riskier. Alternatively, it may represent an attempt by commercial banks to boost earnings to cover expected agricultural loan losses.

The average interest rate on farm debt has declined 1 percentage point over the last year. With an average interest rate of about 10 instead of 11 percent on a debt of approximately $200 billion, operators are paying $2 billion less in interest expenses this year than last year. Lower interest rates have also helped the sector indirectly in a number of other ways. A lower prime rate has helped lower costs for farm inputs and machinery. It has also contributed to the declining value of the dollar overseas and has strengthened the U.S.'s competitive position in the world market.

EXPORTS

Mrs. SMITH. With the dollar's decline in value, how soon can we expect increases in our agricultural exports?

Mr. THOMPSON. While the value of the dollar has fallen over the last several quarters and is likely to continue weakening, any positive impact on our agricultural exports could take another 1-2 years to surface. Moreover, how our agricultural exports react will depend on how the value of the dollar changes relative to the countries we sell to and compete with rather than the basket of countries generally quoted in currency markets.

For example, the Federal Reserve estimates that the value of the dollar fell 33 percent over 1985 against the basket of countries used in currency trading circles. But the dollar fell less than 11 percent against the currencies of the countries we sell farm products to. Moreover, if the export-weighted value of the dollar is calculated excluding changes in currencies in the insulated Japanese and EC markets, the dollar actually rose in 1985. Key customers like Mexico, Taiwan, South Korea, Canada, and Brazil faced a strengthening rather than a weakening dollar. The real value of the dollar rose 2 percent vis-a-vis the Canadian dollar, 16 percent relative to the Mexican peso, 9 percent against the South Korean won, and 6 percent over the new Taiwan dollar from the fourth quarter of 1984 through 1985.

Measured from last January and adjusting for differences in inflation, the currencies of the countries we sell farm products to as a group fell 1.4 percent. The countries that import our wheat experienced a 1-2 percent depreciation while the countries that import our corn experienced little or no change in the value of the dollar. Only our major soybean markets had currencies that appreciated vis-a-vis the dollar.

Our competitors continued to benefit from a stronger dollar in 1985 as well. The currencies of our major soybean competitors depreciated 7 percent during 1985 while corn competitor currencies fell 1 percent. The wheat competitors' currencies tended to stagnate with only the French franc appreciating. All of our major competitors except France saw their currencies fall in 1985—the Argentine peso by 13 percent, the Australian dollar by 18 percent, the Canadian dollar by 4 percent, and the Brazilian cruzeiro by 2 percent.

In summary, the declining value of the dollar we've seen over the last year is encouraging. It prevented the currency disadvantage we've faced in agriculture over the last 3 years from worsening. Moreover, most forecasters expect the dollar to continue weakening, with the drop affecting the countries we export to and compete with to a greater extent than in 1985. This added weakening in the value of the dollar, combined with more competitive pricing as a result of lower loan rates, should boost U.S. grain, oilseed and cotton exports significantly. But the lag between currency and pricing changes and export expansion could be 1-2 years.

LAND VALUES

Mrs. SMITH. You know Nebraska land has decreased in value over 50 percent. What indications do you have that show that the decline in land value is slowing?

Mr. THOMPSON. USDA continues to monitor changes in land values very closely. The information we have available at this time suggests that values will continue to decline in 1986. But a number of indicators suggest the 1986 decline will be smaller than in 1984 or 1985 and that values should stabilize in 1987 or 1988.

USDA's 1985 land value survey indicated that Nebraska land values declined 28 percent from April 1984 through April 1985. This put values in April, 1985 46 percent below the 1981 peak. ERS is currently processing 1986 survey results and will release estimated land values next month. We expect the new survey data to show land values for the country as a whole down 10 percent from last April's level. Values in the Corn Belt, Northern Plains, and Mountain States are expected to average 15 to 25 percent lower than last April. The Federal Reserve Bank conducted a similar survey with comparable results for the year ending December 1985. The Bank survey showed Nebraska values down 19 percent for irrigated land, 23 percent for dryland, and 32 percent for grazing land.

However, a number of indicators suggest that the decline in land values should slow. For example, land rents have improved relative to land values and are strong enough in many areas to encourage new purchasers to enter the market. Rent-to-value ratios in the Northern Plains are nearing those prevalent during the late 1960's. Gross cash rent to value ratios in irrigated cropland in Nebraska averaged 9.6 percent in early 1985 and are probably higher now. This compares with 8.4 percent in 1984 and 6.5 percent in 1981.

Recent declines in interest rates should also work to stabilize land values. Lower long-term (mortgage) rates reduce the income required to support given asset prices. Lower short-term rates reduce the attractiveness of alternative investments (such as money market funds and certificates of deposit) and encourage investors to consider investments in land. The stock market has strongly reacted to lower rates. As stock prices rise, other longer-term investments should also become more attractive.

The commodity programs put in place with the passage of the Food Security Act should also help stabilize land values. The new act eliminates a key source of uncertainty about commodity prices and farm incomes. The act provides for government support for farm incomes as the sector moves toward the more competitive pricing that will ultimately expand demand for our farm products here and abroad. It is this expanded demand and fuller use of our plant that will determine land values toward the end of the decade.

FARM CREDIT

Mrs. SMITH. What is the availability of new credit for agriculture, other than the Farmers Home Administration?

Mr. THOMPSON. Nationwide commercial agricultural banks show strong loan-to-deposit ratios and continue to be very aggressive in searching for credit-worthy customers. The banks and associations of the Farm Credit System have ready access to national money markets and will provide credit to those farming activities where they are assured a reasonable return. The Secretary of Agriculture has approved advance diversion and deficiency payments to eligible producers of major commodities. These advance payments of about $4 billion will be a very timely source of funds to many farmers who would have otherwise been squeezed by a credit shortfall.

Lenders will be cautious in providing new loans where the repayment capacity of the borrower is uncertain. Many banks and units of the Farm Credit System have decided not to extend credit on non-performing loans as a means to protect their viability and to continue service to farmers and rural borrowers.

EXPORTS

Mrs. SMITH. Is our new Secretary of Agriculture committed to do all he can on behalf of the Administration to aggressively retain and increase our share of world export markets?

Mr. THOMPSON. In remarks he made during his nomination appearance before the Senate Agriculture Committee on March 4, Secretary Lyng stated that the highest priority for the Department of Agriculture in the years ahead is to improve U.S. agricultural exports. He noted that the Food Security Act of 1985 provides the tools needed to counter unfair trade practices and trade barriers in the international marketplace and that he will be a strong advocate for use of those authorities. Moreover, the new legislation should help to restore U.S. export competitiveness, particularly through its loan rate provisions for grains and cotton. Yes, I believe the Secretary is very committed to move vigorously to improve our export performance and to regain markets lost in recent years.

FARM PROGRAM CHANGES

Mrs. SMITH. What provisions has the Administration made to account for the change in characteristics of farms? By this I mean that with a record number of people leaving agriculture and farm income on the decline, farms will have to increase in size to retain their same return on investment to service debt, and cover increasing production costs. Will farm programs change to meet these needs?

Mr. THOMPSON. The Administration is committed to structuring farm programs to meet the needs of operators experiencing the greatest difficulty while moving the sector as a whole toward more market orientation. The farm financial analysis as we've done over the last 2 years has allowed us to identify operators under the greatest stress to a far greater extent than in past farm bill deliberations.

The information USDA has been able to collect suggest that there are not record numbers of people leaving agriculture. From 1981 to 1985, the number of farm operators fell by about 6 percent or 38,000 farms per year. Although this is a larger decline than occurred from 1975 to 1980, it is about the same rate of decline that occurred from 1970 to 1975. Moreover, it is a much smaller decline than occurred during the 1960's when farm numbers declined 15 percent or 109,000 per year.

USDA's farm accounts work also suggests that income, at least at the sector level, is not declining. Although some farmers have suffered serious income losses since 1981, net farm income for the sector as a whole has stabilized at record or near-record levels over the 1980's to date.

[Additional information follows:]

[In million of dollars]

Year	Net cash income	Net farm income
1981	35.8	29.8
1982	38.3	24.6
1983	38.3	15.0
1984	39.2	34.5
1985 (preliminary)	37–41	25–29
1986 (forecast)	37–41	22–26

Net cash income has fluctuated in the $36 to $40 billion range and is expected to remain in this range for the next several years. Net farm income, with the exception of the 1983 PIK year, has fluctuated in the $24 to $34 billion range, and is forecast to continue in this range through 1988.

The Administration is strongly in support of structuring farm programs to assist those who need it. Studies by the Economic Research Service show that the financial stress of the 1980's is more closely associated with high debt/asset ratios rather than with any particular size of farm. Indeed, financial stress measured in terms of pressure on cash flow and debt/asset ratios was virtually identical for all size classes with more than $40,000 in gross sales per year. Thus, the current problems of the sector are more related to financing than to farm size—calling for farm programs that pay particular attention to the financial characteristics of farms.

The Administration argued for such programs during the 1985 farm bill debate and still favors trading off lower general commodity supports for increased financial assistance to those farms that, while temporarily under financial stress, are viable over the longer term. The Administration initiated debt deferral and loan guarantee programs for both Farmers Home Administration borrowers and private sector lenders who were willing to write down 10 percent of the principal (or the equivalent in interest) of the debt owed. This program was announced by the President on September

18, 1984 and operated through February 25, 1986. The program has since been replaced by an interest rate buy-down program. These programs go as far as the Administration can within the framework of the Food Security Act of 1985 toward structuring assistance for operators who need it most.

OUTLOOK

Mrs. SMITH. What can the grain and livestock industries reasonably expect from this outlook?

Mr. THOMPSON. Prospects for the major commodity markets are mixed for the next several years. Economic growth, a more competitively priced dollar, and the lower commodity prices likely with supports reduced should increase demand for our farm products here and abroad. Growth in demand should be greatest in the export market for crops where the combination of lower grain, oilseed, and cotton prices and a cheaper dollar will improve the U.S.'s competitive position. Lower inflation and interest rates, lower energy costs, and lower land prices should also combine to reduce operators' cash expenses.

While these demand and expense developments should improve prospects for the sector significantly, the sector still has a number of difficult adjustments to make. Barring a serious crop shortfall here or an export demand windfall, the growth in demand for our farm products here and abroad over the next several years is not likely to be enough to offset trend growth in productivity and reduce stocks without large acreage reduction programs. Lower crop prices combined with the large acreage reduction programs needed to reduce stocks will reduce operators' marketing receipts sharply. However, most of the reduction will be offset by larger government payments. Large government payments, reduced production expenses, and the growth in livestock receipts should combine to keep net cash income stable and close to 1985's record.

The outlook for the livestock sector is expected to strengthen sooner than prospects for the crop sector. This relates both to inventory adjustments the livestock sector has and continues to make and to the lower feed prices and added pasture available with the new bill in place. Net returns will likely rise in late 1986 and 1987 as meat supplies tighten somewhat and production expenses increase slowly or decline. Growth in returns over the longer run, however, will be constrained by slow or no growth in per capita meat consumption levels.

The dairy sector is undergoing a significant change in its basic structure that will shape prospects for the next several years. Prospects depend on producers' response to lower support levels and the whole-herd buyout program. A significant slowdown in production is likely. At the same time, U.S. dairy product use has been rising sharply. Continued, albeit slower, growth in demand and production adjustments could reduce dairy surpluses sharply and set the stage for a balanced, competitive, and profitable dairy sector within several years.

Mrs. SMITH. Thank you very much, and we appreciate you being here.

I have no more questions, Mr. Chairman.

Mr. **Thompson**. My pleasure.

Mr. **Whitten**. Mr. Durbin?

Mr. **Durbin**. Thank you, Mr. Chairman.

Thank you very much, Mr. Thompson, for joining us today. Much like Mrs. Smith, I live in an area where the land values have declined dramatically; in the State of Illinois, your charts indicate a decline in land values of over 40 percent over the last four or five years. It strikes me that this decline in land values has more to do with the problems we're faced with in renegotiating loans and the like then high interest costs.

I'd like to be able to suggest to my farm community, based on your testimony and the philosophy of this Administration, that things are going to get better. But I'm concerned, when you stated in response to Mrs. Smith that there's been some new maturation, if you will, in attitudes toward farm credit, and now loans are not being extended on the basis of expected appreciation in land value but rather the cash flow situation. Do you believe that the cash flow situation for farmers across our country is going to improve, and that, as a result, we will see an increase in land values?

LAND VALUE RECOVERY

Mr. **Thompson**. There are really two parts to your question: Do we expect cash flow to stabilize or improve? And do we expect land values to increase?

Let me answer those two separately because I think they are really separate issues.

Land values got bid up far in excess of their agricultural use values or any reasonable expectation of agricultural use values in the late 1970's. We had a speculative bubble in the land market that was unsustaining. Land at $3,000 or $4,000 an acre could not cash flow under any reasonable price expectation, but people were borne by what I would characterize as "export euphoria," just the expectation on the basis of the limits to growth-type studies that real commodity prices were going to increase well into the next decade or into the next century because farm land is finite; the world's running out of resources. How quickly that turned around as we came into the 1980's!

I would argue that the boom of the seventies was a speculative bubble. It was inevitably going to burst, and anybody that thinks that land values are going to bounce back to where they were 1980 is going to have a rude awakening. I think land values can stabilize where they are, or close to it, and the farm sector will be a far healthier sector for those people who are in it. But what of the people who have undergone this write-down of asset values, especially if they've borrowed any amount of money against those inflated land values? They're going through a wrenching adjustment, and I don't think that we can reasonably hold any expectation out to those people that land values are going to bounce back. I think we have to expect them to stabilize, not bounce back.

Mr. **Durbin**. I'm looking at your chart on prices received and paid by farmers, and while that's only one piece of the equation, I think it's an important piece.

In every year since 1980—I suppose those are indexes based upon 1977 as your baseline—we have seen a steady decline in the prices received by farmers as opposed to what they've had to pay. In fact, it's rather dramatic based on your chart. In 1980 it looks like farmers had a 4 percent positive ratio for prices received over prices paid. But then after that, the first year of the President's Administration, and for every succeeding year, we see a decline of 11 percent, 24 percent, 26 percent, 22 percent, and based on preliminary figures for 1985, 35 percent.

I take it from what you're saying that by your estimate 1986 is going to be a year we're going to see a turnaround in that. Is that your testimony?

FARM INCOME

Mr. THOMPSON. I do not feel that the ratio of prices paid to prices received is really the appropriate indicator of farmer well-being. I think net cash farm income is a far more reasonable measure of current farmer well-being.

The chart you refer to is on page 20 in my packet of charts. The net cash farm income figures are on pages 4 and 5 of the packet. Particularly because of the large increase in direct Government payments in the last several years, we had record high net cash farm income last year following the previous year, which was—up to that point—a record high level. It will be down marginally this year; but basically, what we've seen is, as the ability of the market—particularly the export market—to generate revenue to farmers has declined, the direct Government payments have expanded to backfill behind it and maintain the cash flow position of farmers. It is that cash flow that permits farmers to pay their bills on a day-to-day basis.

Again, I'd return to one of the points I made with Mrs. Smith, that really, the people who are in particular trouble today are those that are heavily debt stressed and carrying that heavy debt load. If you don't have a heavy debt load, you're not doing all that badly today even with the change in prices paid over prices received because we have been making up that income from Government payments.

TRANSITION PERIOD

Mr. DURBIN. But we're anticipating, based on our farm bill and the Gramm-Rudman legislation, a pretty substantial cutback in Government expenditures to help our farmers. So we can't count on that infusion of money into the farm sector, which has set these record levels. What do you see as a trend line or some indicator that is going to supplement that loss of Government support?

Mr. THOMPSON. I see, as Government support is scaled down over time, the recovery of exports, reexpanding the farm income that's being generated from the market. So in effect what we're doing is to make these large income transfers in the short run to tide farmers over while we're getting back into the export market. With the combination of reduction in loan rates, reduction in the strength of the dollar, and the global economic growth that's occurring at the moment, especially in response to the oil price decline, we've got the conditions in place for those exports to expand once again and replace income transfers from the Government.

EXPORT DECLINE

Mr. **Durbin**. One of your other charts shows a dramatic decline in exports under the Reagan Administration. I am wondering, as I listen to this market orientation philosophy, if, in order to recapture these foreign markets, we will have to see a further decline in the prices that paid for these goods. That process suggests we will have several years where net farm income may continue to decline while we try to recapture these foreign markets. Are exports the answer?

Mr. **Thompson**. Well, clearly, exports have declined on the order of 25 to 30 percent since their peak in 1980 and 1981. I think that that is partly due to the exchange rate. It's partly due to the conditions that were written into law in the 1981 farm bill that converted us into the residual supplier. Basically, that farm bill said that if world supply and demand conditions mandate that prices fall through our loan rates, it becomes more profitable for our farmers to sell to the Government or forfeit their commodities to the CCC than it is to export them. Then, as we accumulated burdensome inventories, we had acreage reduction programs—ultimately, the PIK program—to induce our farmers to cut back on production. Also at the very time that we were cutting back—in effect, to support the world price at our loan rate—and willingly withdrawing volume from the market, Canada, Australia, Argentina, the European Community, all were pumping out more product.

In short, we have changed the fundamentals that limited our ability to compete in the new farm bill. We're going to be back in that market; I think the 25 percent cut in loan rate is sufficient to reestablish export competitiveness. We're also going to stop being the provider of that floor under the world market. In effect, we've played the Saudi Arabia role in the world wheat market the last 4 years.

Mr. **Durbin**. But let me ask you, are we not accepting as a premise that we'll have to accept lower prices paid to our farmers in order to recapture these world markets and aggressively undersell exporting nations? Doesn't a lower price to an American farmer really mean that he'll have an even more difficult time of meeting his costs of production and servicing the debt which he carries?

Mr. **Thompson**. Well, remember that there are two determinants of that price in foreign currency which determines whether we're really competitive or not. One is our dollar price, which is heavily influenced by the loan rate, and the other is the exchange rate. All the benefit we get from the depreciation of the dollar is free in the sense that the foreign market price can fall at the same time that our price can increase.

I believe that prices will stabilize at a somewhat lower level. We can't expect a return to the glorious days of 1973 with the prices we saw at that point, but that was also an aberration, just as, I think, the early 1980's were an aberration. But American farmers are extremely productive. We have some of the most efficient, productive agricultural capacity in the world, and the evidence that we see suggests that with the levels that land prices are stabilizing at now, agriculture can be profitable with our productivity. However, we won't be able to sustain land prices at the level that they peaked at and be competitive.

Mr. DURBIN. I'll just close by suggesting that this process, that you call "prices stabilizing at a lower level," will mean that the farm crisis will continue, at least for the near future, because these lower prices are inadequate for the farmers in my area to meet their basic needs. Your suggestion earlier that this is a great growth industry for young people to get into—I can't tell you how many older farmers did their level best to get their sons involved in farming, and have lost their farms as a result of that effort. I think, unfortunately for our country and for my area, there are a lot of people who are soured on the prospect of farming; and the process which you've described, the stabilization of lower price levels for some period of time, does not create an incentive for them to start buying at closing-out sales.

Mr. THOMPSON. Well, if you put pencil to paper with current land values and expected lower interest rates and what we see in the next several years, those investments don't look all that bad.

Mr. DURBIN. I'm anxious to see how many people will be investing in that in the future. Thank you very much.

CHANGES IN FARM OWNERSHIP

Mr. WHITTEN. Mr. Thompson, we're glad to have you here.

I notice that throughout this hearing you're talking about agriculture, How about the farmers? That's who we're interested in, what their situation is going to be. You're talking about agriculture generally; that could mean the new buyers of the farms that are going under.

How many farmers will lose their farms under present conditions in the next few months?

Mr. THOMPSON. In 1985, Mr. Chairman, we lost about 4.8 percent of the American farmers from all causes.

Mr. WHITTEN. What's the outlook for 1986?

Mr. THOMPSON. The outlook for 1986, our analysts say, is approximately the same, between 4 and 5 percent exodus from all causes, including retirement, and maybe 3.5 to 4 percent due to forced departure.

Mr. WHITTEN. Where do you get your figures?

Mr. THOMPSON. Through a combination of our own surveys, as well as surveys by the American Bankers Association and the Regional Federal Reserve Banks.

Mr. WHITTEN. I just told you of a survey in my State where only about 35 out of 115 have qualified to borrow from FmHA. You mention the Farm Credit System; the Farm Credit System is busy saving itself. I haven't heard of anything that agency has done to help the farmers except try to stay in business. And I say to them and any other farm organization, they can exist only so long as the farmers make money. If the farmer goes broke—he won't need a manager if he has lost title to the farm.

I think the situation is altogether different from what you picture it to be. But I guess whoever they lose the farm to will go ahead in agriculture.

The next thing you seem to be completely ignorant about is—there is nothing requiring us to reduce prices to our own producers so as to export. For years we sold what we had abroad for what it would bring; the Commodity Credit Corporation was set up for that purpose, but the Department refused to use it. When Mr. Butz was Secretary of Agriculture we finally got him to get busy and sell to Russia. When the Government wants to punish Russia or some other country, they just put a freeze on exported American farm commodities. I have pointed out to the President and the Secretary of Agriculture and others, that the way they handle the foreign policy makes the farmer takes the loss.

Now talking about this beautiful picture that you spell out here about agriculture—and you haven't mentioned farmer yet, that I've heard—I believe the record shows your father did the farming. As you well know, dairy products and all the perishables come under section 32, the best price support protection in the world, since the Department buys up the surplus and lets demand and supply set the price. The record clearly shows that at the end of World War II, 51 percent of the consumer dollar went to those engaged in agriculture, 49 percent to industry and labor. Since then, industry and labor have increased their take from 49 percent to 73 percent, leaving the farmer buying from them at those high prices. He, in turn, has had his share of the consumer dollar cut from 51 percent back to 27 percent. And he can't make it.

Now, all this debt has piled up because we have followed a policy of giving our foreign markets to competitors. We spent billions of dollars on PIK; this committee had to recommend the money for payment of the PIK program because, it was said, we had too much surplus. We cut back our production by 11 percent—and cut competitive sales by 11 percent—so we just gave that market away. Under the present farm program, where we are taking land out of production, we must protect against going back to where we won't have anything to sell in the world market.

I have a table which shows the growth of foreign investment in the United States, the actual amount of growth each year. It's important to note that these figures show that for the first time since 1914 the United States has become a net debtor nation.

Our trade balance is unbelievably bad, with the 1985 figures showing a deficit of $148.5 billion. In 1981, this gap was $27.9 billion. That's in five years. In that five years, the Federal debt has increased from about $1 trillion to $2 trillion. We are $49.7 billion out of balance with Japan alone, and I believe today's or yesterday's paper shows that we are even dependent upon Japan to make some of the parts for our military operations. We are spending $1 billion or $1.66 billion in Japan right now, and they are coming over here and buying our shopping centers, buying into our banks, buying into other businesses and all the rest of it. We're spending $4.5 billion in Germany, and there we almost paid for their National Guard. And they're buying into our economy. The only farms that have been sold in my area recently have been sold to the Japanese and Germans.

Net income to our biggest industry—agriculture—has dropped from $4 billion to $3.8 billion in 1981 to $3.2 billion in 1985, and they predict it will drop to $2.9 billion in 1986.

Now I just don't see how you can see such a rosy picture. But it's like somebody said: "as you get older, the same things may be going on; it's just that other folks are running them." So it sounds like you've got a new bunch of farmers who may make it better if they are freed from these things.

I just can't see where you're right, but I do note again that you don't talk about farmers. In my area and in other areas, the average farmer is in debt up to his ears, and he can't see any way to pay it. The Farmers Home Administration Administrator was here recently to testify. He did not give any hope to me that the cash income of those who have been engaged in agriculture through the years will be able to make it, and that's the view that he has taken.

In my own area, they've approved one loan. Folks have held back about signing up because they're trying to figure what to do. I realize they could get a job, but they would have to work for the rosy picture in farming. It must be the rose-colored glasses rather than the view that's in front of them.

Mr. Watkins?

Mr. WATKINS. Thank you, Mr. Chairman. I have been listening with great interest, Mr. Chairman, as we hear USDA's perspective on the agricultural outlook.

I have not been involved in agriculture as long as the chairman, but have spent most of my life working in this section. This is the first time in the last year or so that I have not been able to tell my fellow farmers that there's a light at the end of the tunnel. It's a sad, painful experience touching rural America and I can't believe the insensitivity that this Administration's got.

Yesterday afternoon, Mr. Chairman, I missed a part of the hearing because I was trying to console a farmer back in my district. I started to say counsel, but console is probably a better word. This morning, again, another farmer in the same situation. That's apparently what the President wants when he said "export the farmers and keep the grain." We've given the President and the Secretary the authority to export at competitive prices and bring money back into the CCC to help in that area, but the Administration refuses to carry out the law.

Mr. Chairman, you made some interesting comments a while ago about the Japanese. Let me tell you about an interesting situation in Oklahoma. The people and the legislature decided there was a need to build an additional VA hospital. Financing would come through the sale of bonds. But, they couldn't sell the bonds on the U.S. market. The bonding and the finances were eventually provided by the Japanese. It is ironic that the very veterans who will benefit from the hospital are those who defended this country against the country now financing the hospital. That's how critical I think the economic situation is today in the United States.

I've never been a doom-and-gloom type of person. I've always looked to the future and said, hey, we can build a greater future, and problems can be opportunities. We can be part of the solution. Senator Paul Simon, who served in the House, made a statement to me the other day that has made a lasting impression. He said, "Wes, did you know that we're the first generation that's going to leave the next generation a lower standard of living?" Now, that's a very profound statement, but that looks like to me, under the policies of this Administration, we're going to find that our generation will be the first generation that will leave the next generation a lower standard of living.

Mr. Chairman, that, to me, is a sad commentary on the policies of this Administration. They talk about our great economy, but we look around and our neighbor down the section line road is taking bankruptcy, farm foreclosure. Oklahoma has had the largest number of bank closures. Twenty-five banks have closed in the last 2 years. The report that I get is that if FDIC had enough personnel, they could close two a month in Oklahoma. We are faced with over a third of our whole budget in shortfall in Oklahoma, and we're actually being sacrificed for this administration, with world oil prices dropping and not bottoming out yet.

I do not understand how the President is looking at one world and what I see is another one. As someone said the other day, it's kind of like the emperor who didn't have any clothes. And everybody told him how great it was looking at him as he went down the street. Everybody was in a state of shock and didn't tell him anything until he got to the little kid, and the little kid said, "Look, Mom, the emperor doesn't have any clothes on." And then he was in a state of shock.

That's what we hear, but look around and we see an entirely different picture. We keep hearing from you and others about the agriculture outlook, how great it is. Do you really believe that?

Mr. **Thompson**. As I indicate in my testimony, Mr. Watkins, 1986 will be another difficult year for agriculture. However, as I argue in my testimony, we have the tools in place through the macroeconomic changes that have been occurring in the last few months.

FARM BILL TOOLS

Mr. **Watkins**. What are those tools?

Mr. **Thompson**. Well, the tools are the macroeconomic changes and the 1985 farm bill. Consider what's happening on the macroeconomic front.

Mr. **Watkins**. What are the farm tools?

Mr. **Thompson**. The tools that are in the farm bill?

Mr. **Watkins**. Yes, tell me the tools that are in the farm bill.

Mr. **Thompson**. The first is to remove the impediment to exports that was written in the 1981 farm bill in the form of rigid loan rates. We put absolute rigid minimums on the price at which we would sell to make it more profitable for our farmers to sell to the Government than to export.

Mr. **Watkins**. As the chairman has said time and time again, we can sell at competitive world prices; that's what we can do out of CCC. Why aren't we doing that?

Mr. **Thompson**. Are you prepared to sell corn to swine producers in other countries so they can undersell our swine producers in this country, because they can buy our corn cheaper than our farmers?

PORK IMPORTS

Mr. **Watkins**. We're bringing in pork right now. Are you willing to shut the pork off at Canada? I'm ready.

Mr. **Thompson**. After the ITC decision, we did put a countervailing duty on hog imports into the United States.

Mr. **Watkins**. I'm ready to put a tariff against all of it. If you're ready, if you're ready to compete as Americans, let's go about doing it.

Mr. **Thompson**. Well, we're in a situation where the United States has a heavy export dependence—and in particular, a heavy export dependence in agriculture.

Mr. **Watkins**. What has happened to our exports during the last several years? What is the overall dollar amount, etc.?

Mr. **Thompson**. Our exports have fallen by between 25 and 30 percent since their peak, partly as a result of the rigid minimum loan rates in the 1981 farm bill, party due to the strength of the dollar, and partly due to the global recession.

Mr. **Watkins**. Well, I think if you look at the policies that brought the huge deficits, they were under the Reagan Administration. We've already said that that's basically what happened.

Mr. **Thompson**. We had a number of factors working together, including the global recession and the inability to get outlays under control in this Administration. That's also partly the function of congressional decisions, as well as those of the President.

Mr. **Watkins**. I think it kind of sums up what David Stockman said when he left. I recall it very clearly. When he left, he said, "This Administration will go down in history for shrinking the domestic budget." He didn't say anything about the 'total' budget or the military budget or the foreign aid budget or the domestic deficits or the trade deficits; he said they will go down on record as having caused the shrinkage of the domestic budget—agriculture, education, and all these other things are taking more than their fair and equitable share of the cut.

I just want to say to you, the general agricultural outlook in Oklahoma is more than bleak. As I talk to my colleagues, it's not only more than bleak for 1986 but 1987—unless we do something different in the farm bill. I don't think the tools are there.

FARM OUTLOOK

If I might, Mr. Chairman, ask him to give me a couple more of those tools.

Mr. **Thompson**. I indicated that the loan rate change will get us back into the export market. While that's happening, we have larger income transfers in the form of larger deficiency payments written into the farm bill through the freeze for two years of the target prices on wheat and feed grains, and a one year freeze with a slow reduction on cotton and rice. We also have the debt restructuring program of close to a half-billion dollars under the Farmers Home Administration provision in the bill to permit interest rates to be reduced 4 percent, and the interest rate is the most important price affecting the farmer's bottom line. The parallel bill, the Farm Credit System Restructuring Bill, should make the Farm Credit System a much more viable entity and permit its interest rates to come back down to lower levels for farmers. These are several of the tools that are in that farm bill that will help turn American agriculture around. When you put them together with the reduction in interest rates and exchange rates that are coming through the macroeconomic policy side, I would argue that we have got the tools in place to turn the sector around, but also to maintain farm income through these large deficiency payments in the meantime while we recapture a larger share of international markets.

Mr. WATKINS. I know the Administration's farm program spending has been the most expensive in history, and there really hasn't been any reason for that if we would have been willing to make some adjustments different than what have been proposed. But the Administration has refused to do that, and it's caused us to take a great deal more criticism on the Hill. The chairman and I try to defend our farmers and our other agriculture people against a philosophy that is so rigid that they're not willing to make some changes, even though the deficit on the agriculture side is a lot higher because they refuse to make the adjustments.

Mr. Chairman, I don't have any other questions. After visiting with another farmer this morning, I had to come down and get it off my chest. But if I can pass it on to you, maybe you will carry the message back to the Department. We're losing farmers every day in Oklahoma.

Thank you, Mr. Chairman.

Mr. WHITTEN. I have to say that I agree with my friend from Oklahoma. I think sooner or later you're going to have to make some adjustment in this farm debt that was caused by putting on our farmers the burden of our foreign policy. I think you'll have to do that. I was here when they had to do that in the Midwest following the last depression. It looks to me like we're headed in that direction.

We appreciate your appearance. Economists often talk fast so they don't get pinned down on a point. But I repeat again, you're talking about agriculture. You're not talking about who's going to be handling agriculture, and we do notice that.

But thank you for your appearance. And may I say, along with other problems, one of the things this committee had to handle was aid to Ethiopia. And surprisingly, in view of the restrictions placed on shipments and whose ships had to carry them, we could give them grain and yet it would cost them more over there than they could buy it for elsewhere. We call it a policy of holding an umbrella over world trade in farm exports. We've moved away from our farmers to theirs, and we're having trouble right now with this Administration—and this was true under the preceding Administration, which was Democratic—we've had trouble getting them to offer what we had for what it would bring in world trade. It's a mistake, in my opinion, and I think we're about to pay the penalty. Certainly, it's not comfortable to know that in five years you have increased the national debt from $1 trillion to $2 trillion, which is as much as we accumulated in over 200 years.

So the picture is not good. We are looking for somebody to help us get it straightened out. We will appreciate your help.

Mr. WATKINS. Mr. Chairman, I have used the statement a couple of times, and I think it's true. Biblically speaking, it talks about turning our weapons into plowshares, but basically the policy we have today is we're pounding our plowshares into weapons,

Mr. WHITTEN. Thank you very much.

I'd like to announce here that we have three students from my district here today—Gloria Teller from Okalona, Mississippi; David Vall and James Cook of Batesville, Mississippi. I trust they can go back home and tell people what a rosy picture you, Mr. Thompson, have painted while they were here.

We are mighty glad to have you here, and we hope you will enjoy your visit out here. The President's a nice fellow. But I must disagree here with some of his Government policy. Batesville and Okalona are right in the heart of the farm belt; the folks there are fine friends, who are also suffering from this overall problem that we all have in this country.

Thank you all for your appearance.

Mr. THOMPSON. Thank you, Mr. Chairman.

For release only by
the House Committee
on Appropriations

Statement by
Robert L. Thompson
Assistant Secretary of Agriculture for Economics
before the House Appropriations Committee
Subcommittee on Agriculture, Rural Development,
and Related Agencies
February 19, 1986

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to appear before you to discuss prospects for American agriculture in 1986. With your approval, I will submit for the record a detailed agricultural outlook in appendix form, and focus on the points I feel are most critical at this time.

For the first time in several years, I think we can view the future of American agriculture with cautious optimism. We are not over the hurdle yet. The difficulties faced by agriculture generally and by many individual farmers will continue in 1986. But now there are signs that the most painful adjustments are behind us; the worst is over. And I believe, if certain trends continue, we can expect to see improvement in the farm sector.

American agriculture has been a victim of the inflationary policies of the 1970's and the disinflationary policies of the 1980's. The export boom of the last decade was accompanied by rising farm incomes and rapidly accelerating land values. This ended with the tightened monetary policy of many industrialized countries in the 1980's--necessary to bring inflation under control--which, when coupled with large Government deficits, placed upward pressure on interest rates. This led to the worldwide recession of 1982 and a reduction in agricultural trade.

The United States emerged as a strong economy. Higher U.S. interest rates, compared to those abroad, plus more rapid economic growth here and the common belief that the United States is a safe haven for capital, contributed to a sharp increase in the dollar's value. The strong value of the dollar made U.S. exports far more expensive.

The 1981 farm bill compounded this effect by preventing farm prices from responding to changing markets, making our farm products even less competitive. At the same time, a number of developing countries accumulated huge debts, dampening growth in agricultural imports.

Macroeconomics and Farm Problems

Agriculture's severe problems over the last 3-4 years have reflected these macroeconomic and farm policies. But now these policies are changing for the better. The most important sign of encouragement is the resolve to get our fiscal house in order.

Deficit reduction and its positive effects on interest rates and exchange rates are absolutely necessary for recovery in agriculture. Tax reform legislation also could be crucial. Capital lured into agriculture as a tax shelter has contributed to overproduction. Too many investment and production decisions have been based on tax incentives, instead of profit and loss.

Another reason for optimism is that exchange rates are moving in the right direction. A decline in the value of the dollar of about 20 percent from a year ago will have a positive effect on U.S. agricultural exports.

We also have seen net cash farm income remain steady, and lower interest rates should continue to mean lower production costs and expenses. This improvement in the overall financial situation may improve cash flow to service debt, and new credit needs may be lessened. Also, there are indications that the rate of decline in land values may be slowing.

That's the good news, Mr. Chairman. The bad news is that for those who expect quick fixes resulting from macroeconomic policy changes--or from the 1985 farm bill--it's going to take time.

Background of Current Forces

Virtually every force we see at work in the current 1985/86 crop year results from the 1981--not 1985--farm bill. Living as we have been with provisions of the earlier legislation, we have had loan rates above world market-clearing prices. This was one reason our farmers produced record or near-record crops last year, and why our exports will continue to drop in 1986. With exports down, we will be left with record stocks of most commodities at the end of the 1985/86 marketing year.

Even with advance in-kind payments, free stocks in the 1985/86 marketing year will be tight since huge quantities have been isolated from the market through CCC loan programs, the farmer-owned reserve, and in CCC inventories.

Let This Farm Bill Work

I do not expect this situation of dwindling exports and mounting stocks to turn around as quickly as we would like--economic forces alone simply do not move that fast, nor do trade barriers come down that easily. But at least we have a farm bill that redirects agriculture in the direction of market orientation and flexibility. I would hope that we can work together to let this farm bill work, and give a return to market orientation a chance to address America's farm situation and set it on a path of return to prosperity. Too many urge ways to create quick fixes, Mr. Chairman, but there are no quick fixes which will be permanent fixes. We simply must have the forebearance to give this legislation time to make the inroads needed by the farm sector.

Tools provided in the new farm bill will work for the 1986 crop, and we will see positive results beginning in the 1986/87 marketing year. Some of the changes won't be dramatic, but they will be in the right direction. For example, the conservation reserve will begin to idle excess, erodible acreage. The reduction in loan rates will work over time to reduce production here and aboard. Also, the effective freeze of acreage bases and crop yields cuts the link between direct Government payments and production. This will reduce the incentive to overproduce as a way to receive Federal payments. Lower U.S loan rates, and the resulting lower world prices, should cause our competitors to share some of the supply adjustment necessary to bring world production in line with world demand. This also should permit the United States to begin to recapture export market share over time.

On the Brink of Change

In 1986, lower loan rates and the declining dollar should make us really competitive once again in export markets. Even with smaller U.S. production, we still will have continued support for farm income under the compassionate provisions of the new farm bill through frozen target prices and larger deficiency payments over the next couple of years. Until then, as we work through the 1985 crop and the last of the 1981 farm bill and also in the first year of the implementation of the new bill, we will continue to see record expenditures and low farm prices.

But, Mr. Chairman, this scenario is on the brink of change. I fully expect that, in subsequent years, we will be talking with enthusiasm about a positive outlook for America's farm sector.

Thank you, Mr. Chairman, I welcome the opportunity to answer your questions.

THE 1986 AGRICULTURAL OUTLOOK

Appendix to Statement by
Robert L. Thompson
Assistant Secretary of Agriculture for Economics

before the

House Appropriations Committee
Subcommittee on Agriculture, Rural
Development, and Related Agencies

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OVERVIEW OF 1986 PROSPECTS

* Macroeconomic conditions should continue to affect farmers positively in several respects. Both interest rates and the value of the dollar could register some further decline after decreasing in the past year. Inflation continues at a low level, helping to keep expenses down. Domestic demand for farm products will be aided by continuing economic growth.

* Financial conditions in the farm sector appear to be stabilizing in 1986 after several years of decline. Land prices and the value of farm assets are likely to register much smaller declines than in recent years. Returns to assets in agriculture have strengthened and more nearly approach those of investments elsewhere in the economy.

* U.S. livestock producers look forward to a year of better returns following several adverse years. Crop producers, however, face a year of lower prices, although large Government payments will supplement returns.

* Crop prospects for the balance of the 1985/86 seasons are dominated by large global supplies remaining from 1985 harvests, reduced world trade and U.S. exports, and U.S. prices below 1985 levels. Although prices will be sensitive to announced provisions of 1986 farm programs, tightening "free" stocks may lend some support.

* Plantings of 1986 crops are likely to decline as farmers participating in 1986 farm programs comply with acreage reduction. Lower support prices, coupled with large carryin stocks indicate prices for 1986 crops below last season's levels. Large deficiency payments will help to offset lower support-price levels. Export demand for 1986 crops could be strengthened by competitive price levels stemming from reduced farm prices and a lower-valued U.S. dollar.

* Although farmers' cash receipts from crops and livestock are likely to total under those of last year, Government payments are likely to increase and farm production expenses are likely to decline. This would leave farmers with 1986 net cash income a little under the record 1985 level. However, net farm income would register a larger decline because of a lower value of inventories.

* Looking beyond 1986, the groundwork for recovery in the farm sector is being prepared by adjustments taking place in the farm sector and by recent legislation that will inaugurate a more flexible and market-oriented farm policy and reduce the budget deficit. Prospects for recovery will also be influenced by the outcome of 1986 harvests here and abroad, performance of the world economy and developments in the trade policy arena.

FARM FINANCIAL CONDITIONS

* Net farm income could slip further in 1986 if crop receipts fall because of a smaller crop and lower prices, and if the value of inventories declines. Net cash farm income should remain near 1985's record level, helped by higher livestock prices, lower production costs and larger Government payments.

* Gross income fell in 1985 as cash receipts edged lower and there was little help from the value of the change in inventory. Farmers spent less for inputs and other production items. Direct government payments remained large. Net income rose to a record high but net farm income, which includes the value of the inventory change, declined last year.

* Production expenses are expected to decline again in 1986, with reduced crop acreage, lower seed costs and large supplies of most inputs. The major components of farm production expenses all declined last year. With less acreage planted and sagging prices, seed and fertilizer costs were lower. Feed and feeder livestock expenses dropped by more than $1 billion. Fuel and interest expenses also declined substantially.

* Income per farm declined in 1985 because lower income from farm sources outweighed increases in income from off-farm sources. As a result, off-farm income accounted for about 60 percent of total income, higher than in 1984, but not much different than in other recent years.

* Farm asset values will continue to decline in 1986, but much more slowly than in recent years. The total value of farm assets, excluding operator households, may decline 3 percent this year, while farmers' equity in those assets declines 4 percent. These rates would be half those experienced in 1985. Once again, farmers will succeed in slightly reducing their outstanding debt. After dropping 13 percent in 1984 and an estimated 8 percent last year, land values are expected to decline by only about 4 percent in 1986.

* Total debt outstanding has declined since 1983. Real estate debt and nonreal estate debt, excluding CCC loans, first fell in 1984. Commodity Credit Corporation loans have been volatile due to crop price fluctuations. Excluding these loans, total liabilities have declined each year. Asset values have been declining since 1981 as both real estate and other asset values have fallen. The substantial losses in farm asset values have greatly outweighed drops in debt outstanding and have led to large reductions in farm equity—both in total and in the average per farm. Also, the debt-to-asset ratio continues to move higher as it has annually since 1979.

* The composition of farm debt is changing. Recently, the large quantity of farm commodities put under loan has boosted the share of Commodity Credit Corporation loans in the farm debt picture. Both real estate and nonreal estate debts owed to other financial institutions are declining and becoming a smaller fraction of total farm debt.

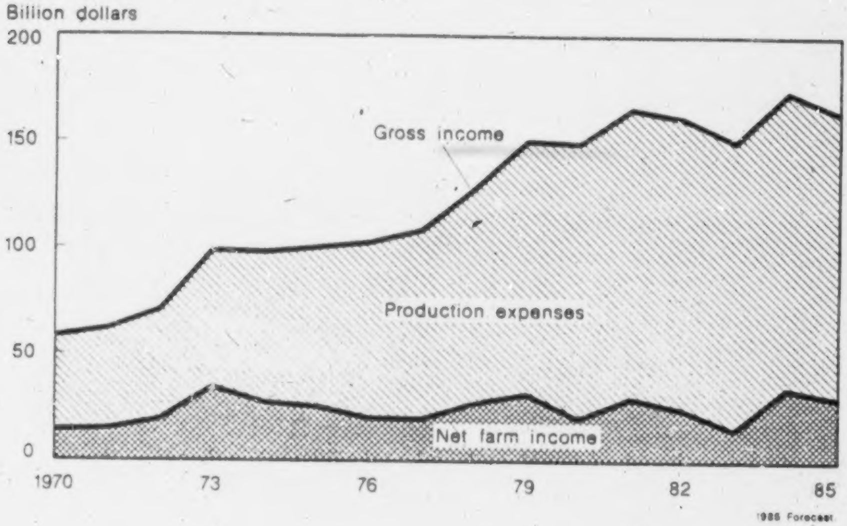
* Interest rates on most types of loans declined somewhat in 1985. Rates in 1985 were sharply lower than in 1981 and 1982 when high inflation boosted farm interest rates to record levels.

* According to an extensive USDA farm finance survey conducted one year ago, four out of five farmers are financially solvent, holding debt equal to less than 40 percent of assets and earning a positive cashflow. Such farms should be able to meet current expenses, living costs, and debt payments. They also should have relatively little difficulty obtaining new loans this year, as credit supplies are ample for qualified farm borrowers.

* The survey also found that 10 to 12 percent of farms face severe financial stress, with debt worth from 40 percent of assets to over 100 percent, coupled with a negative cashflow. Such farms are likely to have difficulty keeping up with debt payments and qualifying for additional credit.

* Many of farms found to be experiencing financial stress fit a similar profile. More than half were family-size commercial farms with yearly sales between $50,000 and $500,000. Three-quarters produced cash grain, general livestock or dairy products. Regionally, 60 percent were located in the Corn Belt, Lake States, and Northern Plains.

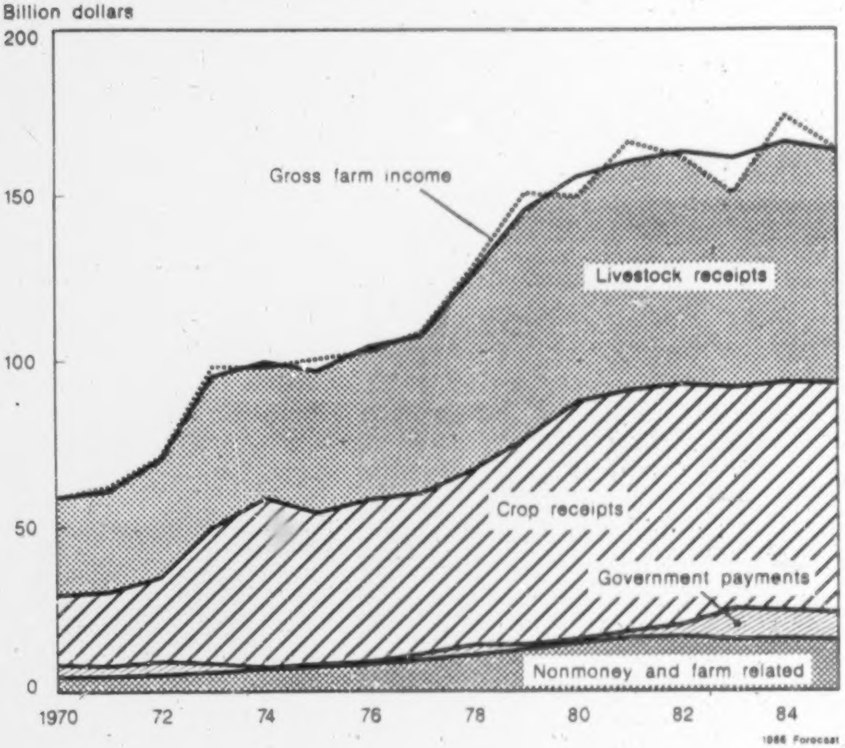
Aggregate Farm Income



Net Farm and Net Cash Income

Item	1970	1975	1980	1981	1982	1983	1984	1985 Forecast
				Billion dollars				
Gross income	58.8	100.6	149.6	166.0	161.6	150.6	174.0	163-166
Expenses	44.5	75.0	129.4	136.1	136.9	135.6	139.5	133-135
Net farm income	14.4	25.5	20.2	29.8	24.6	15.0	34.5	29-32
Net cash income	18.1	29.0	37.2	35.8	38.3	38.3	39.2	41-44

Gross Farm Income Components

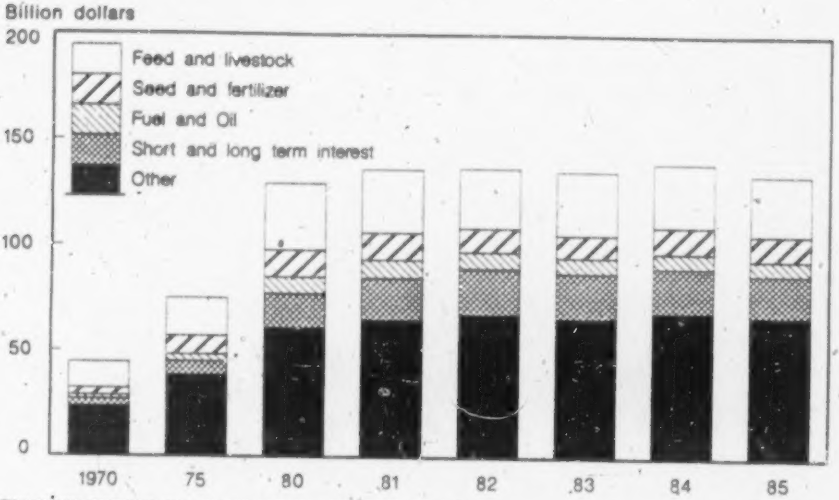


Gross Farm Income Components

Item	1970	1975	1980	1981	1982	1983	1984	1985 Forecast
					Billion dollars			
Nonmoney income	4.6	7.5	14.5	16.2	16.6	15.7	15.9	13- 17
Government payments	3.7	0.8	1.3	1.9	3.5	9.3	8.4	7- 9
Crop receipts	21.0	45.8	71.8	72.9	72.7	66.8	69.1	68- 70
Livestock receipts	29.5	43.1	68.0	69.2	70.3	69.4	72.7	69- 71
Value of inventory change	0	3.4	-5.9	5.8	-1.4	-10.6	7.8	0- 2
Gross farm income	58.8	100.6	149.6	166.0	161.6	150.6	174.0	162-165

5

Farm Production Expense Components



Other includes depreciation, taxes and rent, labor and repair, and all other expenses

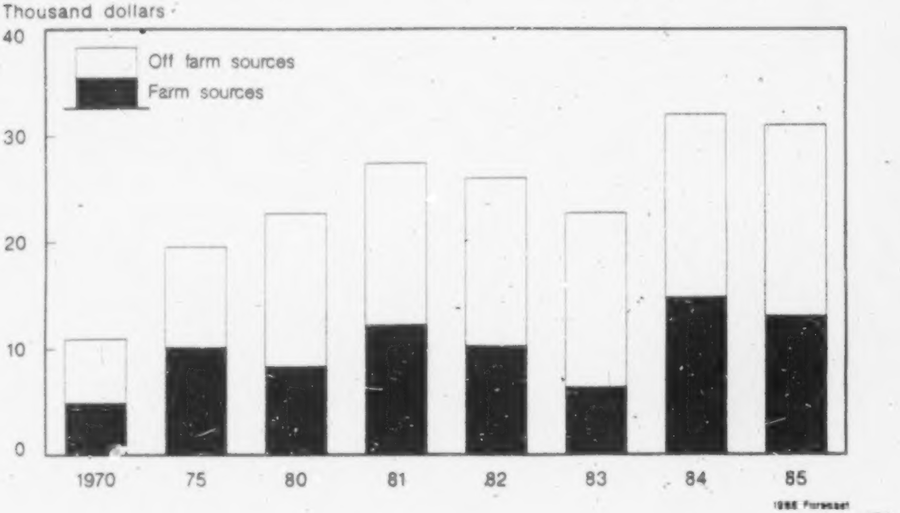
1985 Forecast

Farm Production Expense Components

Item	1970	1975	1980	1981	1982	1983	1984	1985 Forecast
	Billion dollars							
Feed and livestock purchased, total	12.4	17.9	31.6	29.9	28.3	30.1	29.9	27-29
Seed and fertilizer, total	3.4	8.8	12.7	12.8	11.2	10.6	12.4	11-13
Fertilizer (exc. lime)	2.3	6.5	9.1	9.0	7.7	7.2	8.5	7-9
Fuels and oils	1.7	3.3	7.9	8.6	7.8	7.4	7.1	6-8
Short and long term interest	3.4	6.4	16.3	19.9	21.8	21.4	21.1	19-21
Taxes and rent	4.6	7.2	8.9	9.3	9.4	8.3	9.2	9-10
Depreciation	6.9	12.4	21.5	23.6	23.9	23.5	23.0	21-22
Other 1/	12.1	19.0	30.5	32.0	34.5	34.3	36.8	35-37
Total production expenses	44.5	75.0	129.4	136.1	136.9	135.6	139.5	133-135

1/ Other expenses includes hired labor, repair and all other expenses.

Income per Farm

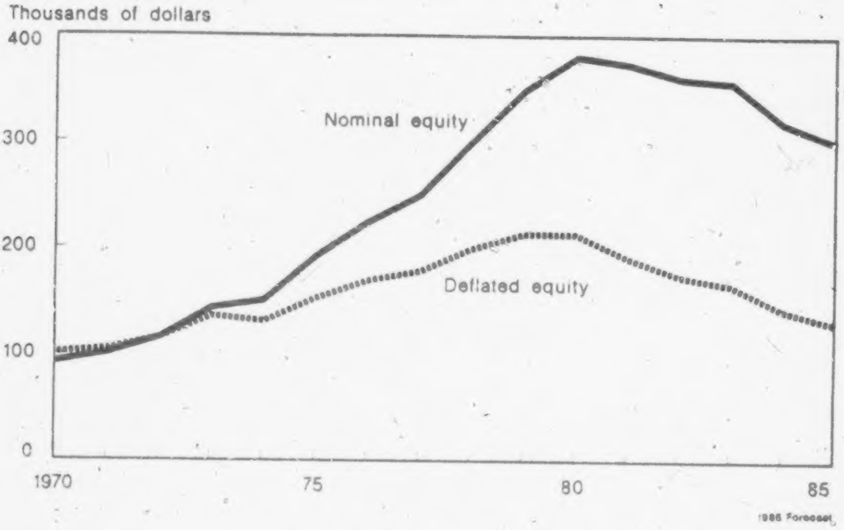


Income Per Farm, All Sources

Item	1970	1975	1977	1979	1980	1981	1982	1983	1984	1985 Forecast
					Thousand dollars					
Income per farm										
Farm sources	4.9	10.1	8.1	13.0	8.3	12.2	10.2	6.3	14.8	12-14
Off-farm sources	6.0	9.5	10.6	13.9	14.4	15.2	15.8	16.4	17.2	17-19
Total	10.9	19.6	18.7	26.9	22.7	27.4	26.0	22.7	32.0	29-33
					Percent					
Off-farm share of total	55.0	48.5	56.7	51.7	63.4	55.4	60.8	72.2	53.8	58-59

Totals may not add due to rounding.

Equity per Farm

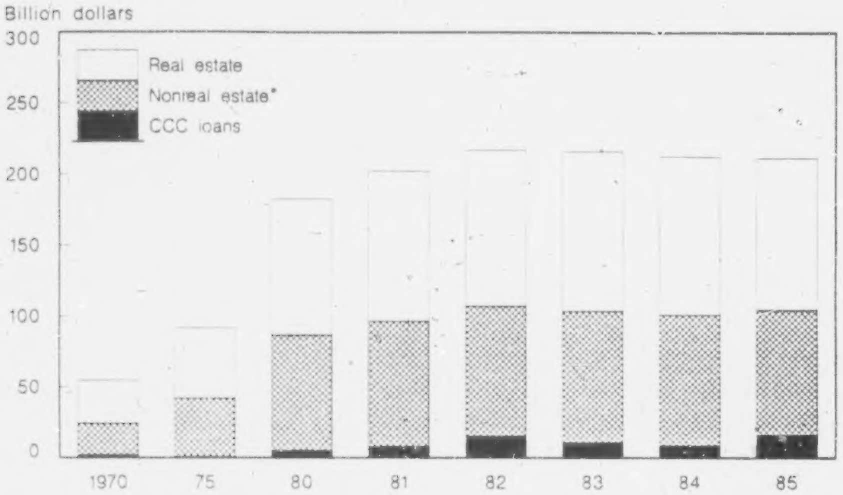


Farm Balance Sheet, Including Dwellings

Item	1970	1975	1980	1981	1982	1983	1984	1985 Prelim.
				Billion dollars				
Assets (Jan. 1)	326.0	576.4	1,108.3	1,111.1	1,082.0	1,061.4	955.8	897.2
Real estate	223.2	418.2	846.6	846.7	808.6	798.8	693.7	638.2
Other	102.8	158.2	261.7	264.4	273.4	263.4	262.1	259.0
Liabilities	54.5	91.7	182.3	202.1	217.2	216.2	212.5	211.6
Real estate	30.3	49.7	95.8	105.8	110.0	112.6	111.6	107.0
Other	24.2	42.0	86.6	96.3	107.2	103.6	100.9	104.6
Equity	271.5	484.7	926.0	909.0	864.8	845.1	743.3	685.6
				Dollars				
Nominal equity per farm	92.1	192.3	380.6	373.5	360.2	356.6	318.6	300.1
Real equity per farm 1/	100.7	152.9	213.3	191.0	173.7	165.6	142.6	129.7

1/ Deflated by the GNP implicit deflator for the previous year.

Composition of U.S. Farm Debt



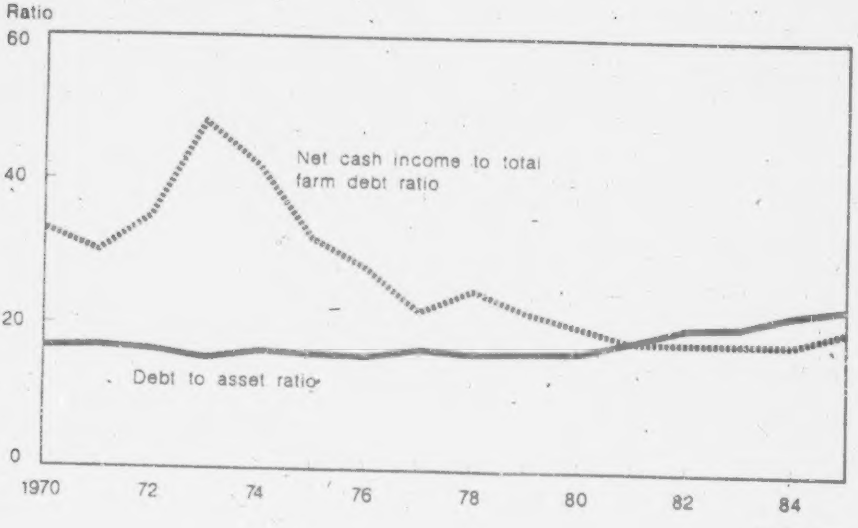
Includes household farm debt *Excluding CCC loans

1985 Forecast

Composition of U.S. Farm Debt

Item	1970	1975	1980	1981	1982	1983	1984	1985
				Billion dollars				
Farm debt outstanding on Jan. 1								
Real estate	30.3	49.7	95.8	105.8	110.0	112.6	111.6	107.0
Nonreal estate (excluding CCC loans)	22.3	41.6	81.6	88.3	91.8	92.8	92.2	88.5
CCC loans	1.9	0.4	5.0	8.0	15.4	10.8	8.7	16.1
Total farm debt	54.5	91.7	182.3	202.1	217.2	216.2	212.5	211.6

Selected Financial Ratios

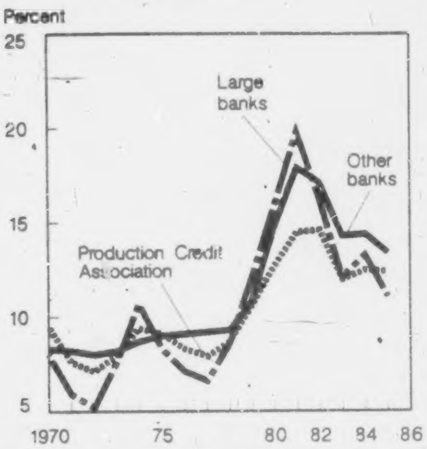


1985 Preliminary

Selected Financial Ratios

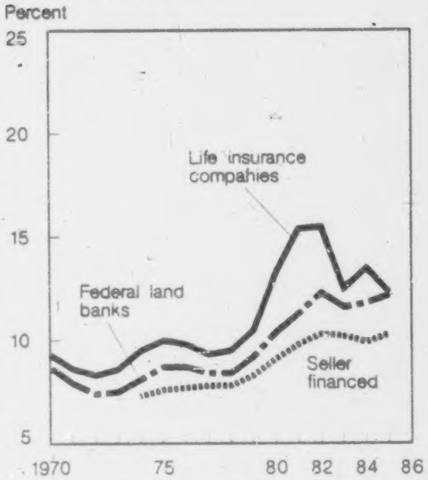
Item	1970	1975	1980	1981	1982	1983	1984	1985
Debt to asset ratio	16.7	15.9	16.5	18.2	20.1	20.4	22.2	22.3-24.1
Net cash income to debt ratio	33	32	20	18	18	18	18	17-20
Prices received to prices paid ratio (1977 = 100)	108	114	98	92	85	84	87	79

Interest Rates on Farm Nonreal Estate Loans



1986 Forecast. Rates on PCA loans include service fees. Bank data starting in 1977 are from surveys made by the Federal Reserve System; data for prior years relate to different groupings of banks collected by the Federal Reserve System and the Federal Reserve Bank of Minneapolis.

Interest Rates on Farm Real Estate Loans



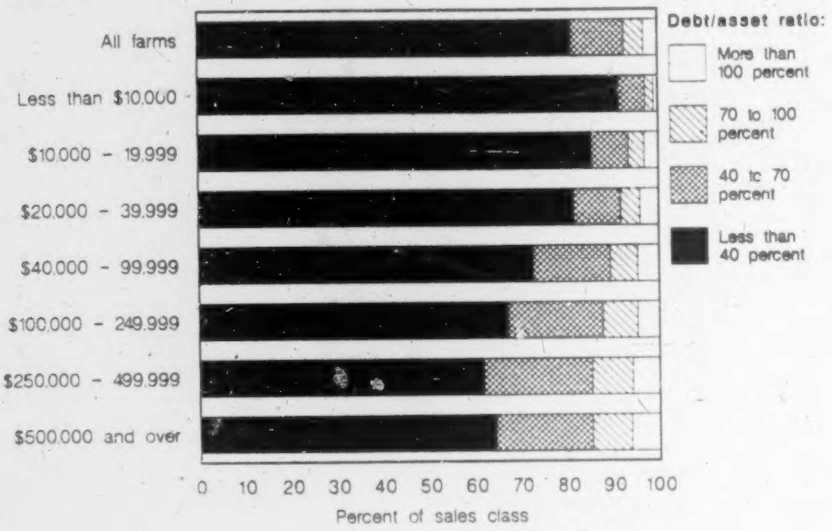
1986 Forecast. Federal Land Bank rates do not include charge for the stock borrowers are required to buy.

Yearly Average Interest Rates on New Farm Loans 1/

Item	1970	1975	1980	1981	1982	1983	1984	1985 Prel'm.
Nonreal estate	8.6	6.8	14.7	17.4	16.0	12.8	13.4	12.3
Production Credit Assn.	9.5	9.1	12.7	14.5	14.6	12.0	12.5	12.4
Large banks	8.0	8.2	15.9	19.8	16.2	12.1	13.3	11.1
Other banks	8.3	9.0	14.8	17.9	17.1	14.3	14.4	13.4
Real estate	9.0	8.8	10.9	12.2	12.7	11.5	11.7	11.6
Seller financed	NA	7.6	9.1 2/	9.8 2/	10.3 2/	10.2 2/	9.9	10.3
Federal land banks	8.7	8.7	10.4	11.3	12.3	11.6	11.8	12.2
Life insurance companies	9.3	10.0	13.3	15.4	15.5	12.6	13.5	12.3

1/ Arithmetic average, not weighted.
2/ First quarter reading only.

Percent of Farms by Sales Class and Debt/Asset Category, January 1, 1985

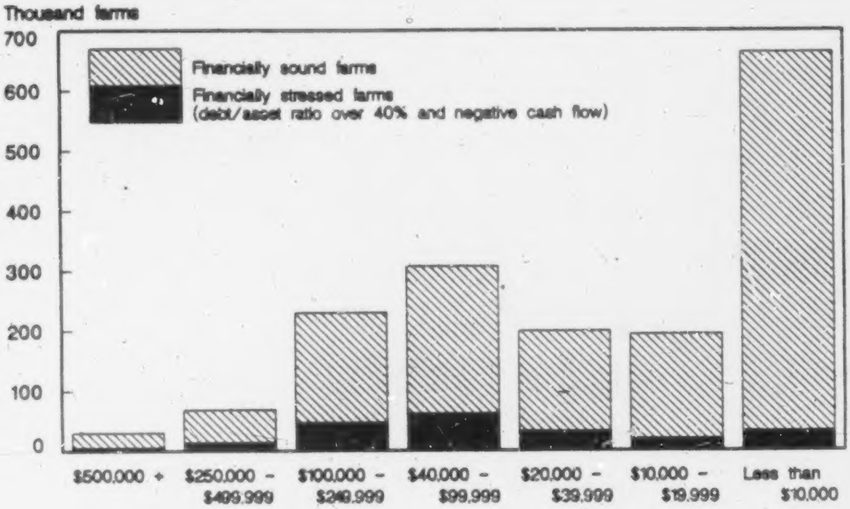


Financial Condition of Farms by Sales Class, January 1, 1985

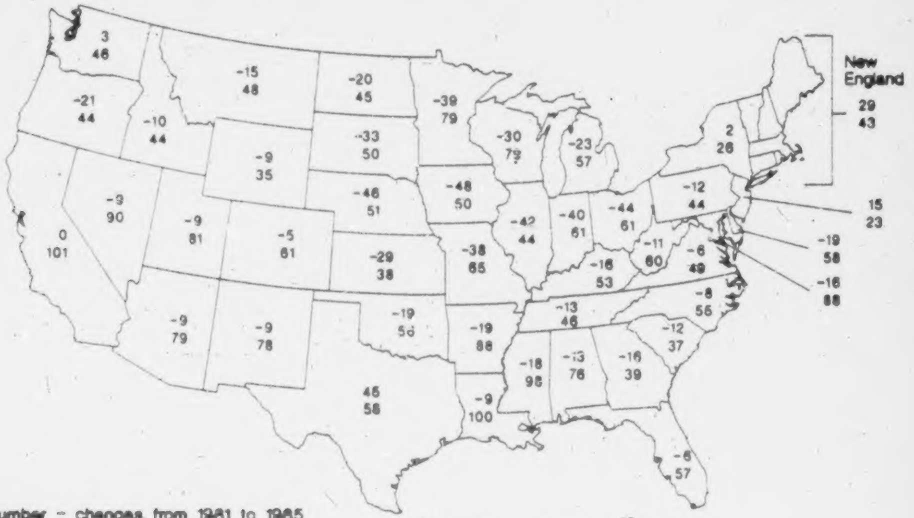
Item	All farms	Less than $10,000	$10,000-$19,000	$20,000-$39,000	$40,000-$99,000	$100,000-$249,000	$250,000-$499,000	$500,000-and over
					Percent			
Debt-to-asset category								
Under 40 percent	81.1	91.5	85.5	81.3	72.6	67.1	61.7	64.2
40-70 percent	11.6	5.7	8.1	10.4	16.7	20.7	23.6	21.1
70-100 percent	4.3	1.9	3.4	4.2	7.7	7.7	8.9	8.6
Over 100 percent	3.0	1.0	3.0	4.0	4.5	4.5	5.8	6.0
					Number			
Condition								
Financially sound	1,455,530	610,838	173,310	166,081	243,945	182,039	54,402	24,915
Financially stressed 1/	213,775	32,780	19,776	32,379	62,004	47,216	14,176	5,444

1/ Debt-to-asset ratio greater than 40 percent and negative cashflow.

Financial Condition of Farms by Sales Class



Percent Change in Average Value of Farm Real Estate per Acre, February 1977 - April 1985


3
46
-15
48
-20
45
-21
44
-10
44
-39
79
New England
29
43
-33
50
-30
79
-23
57
2
26
-9
35
-48
50
-12
44
15
23
-9
90
-46
51
-42
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101
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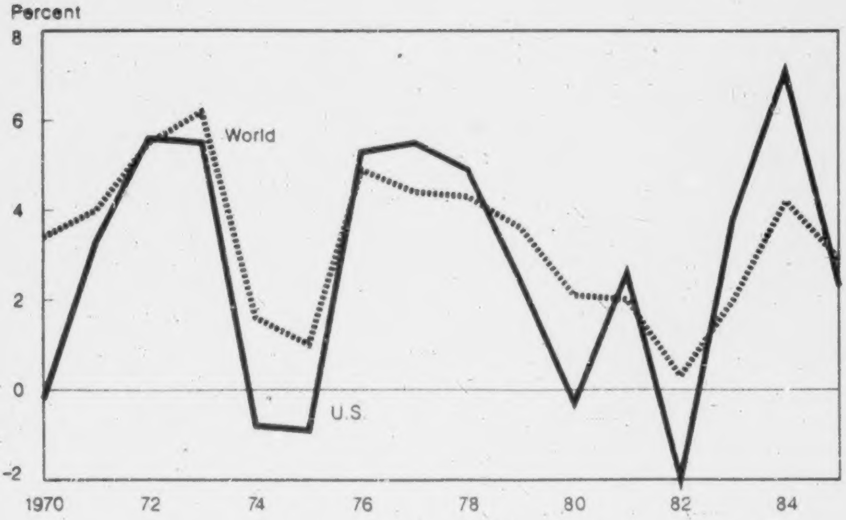
46
-19
56
-19
88
-12
37
-9
79
-9
78
-18
98
-13
76
-16
39
45
56
-9
100
-6
57

Top number - changes from 1981 to 1985
Bottom number - changes from 1977 to 1981

U.S. Average 48 States: -19
58

Note: Based on index numbers of average value per acre.

World and U.S. Economic Growth



World and U.S. Economic Growth, Gross National Product

Item	1971	1975	1980	1981	1982	1983	1984	1985 Prelim.
					Percent			
World	4.0	1.0	2.1	2.0	0.3	2.0	4.2	2.9
Developed countries	3.6	−0.4	1.3	1.6	−0.2	2.5	4.4	2.7
United States	3.3	−0.9	−0.3	2.6	-2.0	3.8	7.1	2.3
Developing countries	6.2	6.0	4.6	3.0	1.7	0.5	2.5	2.1

AGGREGATE OUTPUT AND PRICES

* Farm output should decline in 1986 from 1985's near-record high, in view of the expected heavy participation in crop acreage-reduction programs and smaller inventories of cattle and hogs.

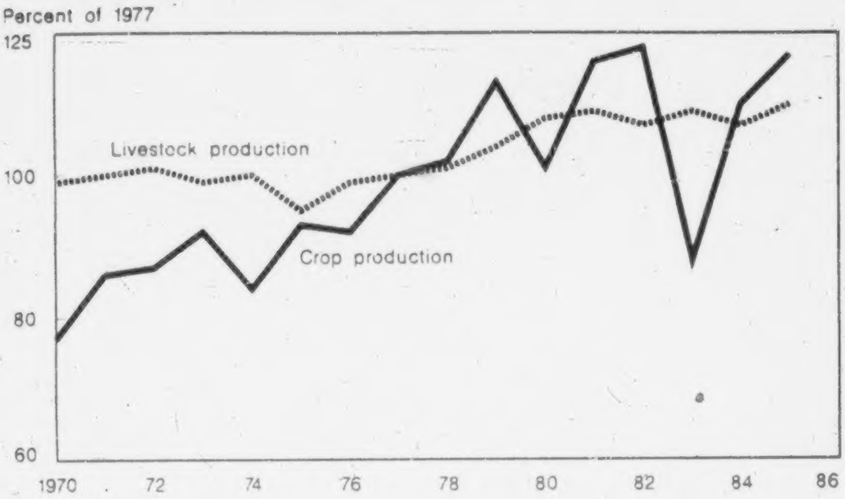
* Many of the recent problems experienced by farmers can be traced to high crop and livestock output. Drought and the PIK program sharply reduced production in 1983, but output rebounded in 1984 and 1985. Even though acreages have been restricted by farm programs, favorable yields raised crop production in 1985 to a near-record level. Livestock output was at an all-time high last year because poultry and beef production increased while pork production held steady.

* Plantings of major crops declined in 1985 because of participation in farm programs. Feed grain acreage went up, but plantings of wheat, soybeans, and cotton fell. Total planted acreage, while down somewhat, was not much smaller than in other recent years. Farmers continued to use their resources to the fullest extent possible.

* Livestock prices are expected to rise in 1986, but crop prices are expected to remain low, reflecting large stocks and lower loan rates.

* With lower prices of both crops and livestock, all farm prices averaged about a tenth below the 1984 level. Prices paid by farmers for production items leveled off in 1985. Machinery and fertilizer prices turned down in 1985, while wage rates continued to rise. Energy and fuel prices were steady.

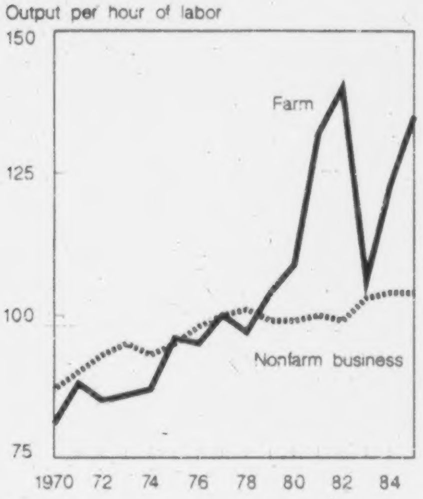
U.S. Crop and Livestock Production



U.S. Crop and Livestock Production

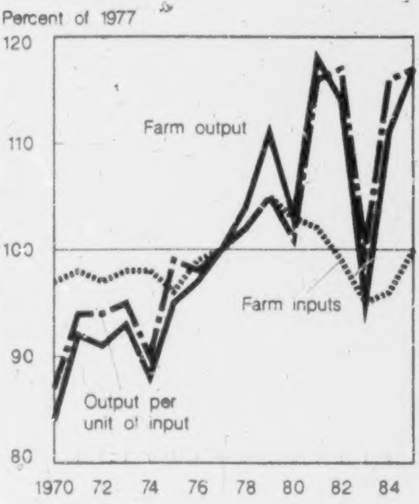
Item	1970	1975	1980	1981	1982	1983	1984	1985
				Percent of 1977				
Farm output	84	95	103	118	116	95	111	117
Crops	77	93	101	116	118	88	110	116
Livestock	99	95	108	109	107	109	107	110

Farm Output and Productivity



1985 Preliminary

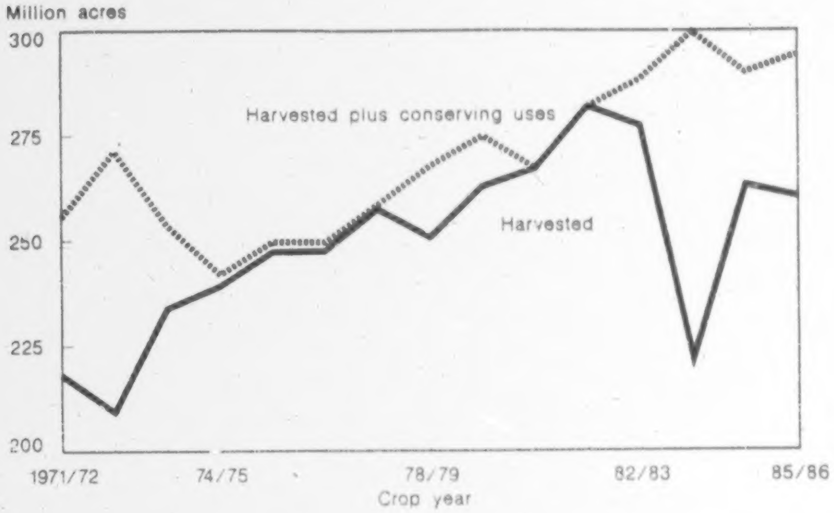
Farm Productivity



Farm Output and Productivity

Item	1970	1975	1980	1981	1982	1983	1984	1985 Prelim.
				Percent of 1977				
Farm output	84	95	103	118	116	95	111	117
Crops	77	93	101	116	118	88	110	116
Livestock	99	95	108	109	107	109	107	110
Farm inputs	97	96	103	102	99	95	96	100
Farm output per unit of input	87	99	101	116	117	100	116	117
Output per hour								
Farm	82	98	109	132	140	106	123	135
Nonfarm business	89	96	99	100	99	103	104	104

Acreage Harvested Plus Conserving Uses

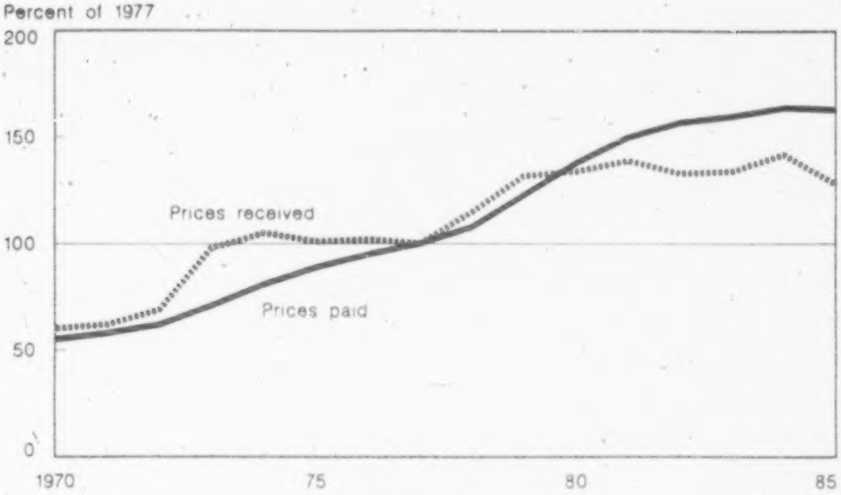


U.S. Acreage Planted, Harvested and Placed in Conserving Uses

Item	1970	1975	1980	1981	1982	1983 1/	1984	1985
				Million acres				
Planted acreage								
Feed grains	118.8	122.6	121.3	123.6	121.4	102.8	122.1	127.5
Wheat	48.7	74.9	80.8	88.3	86.2	76.4	79.2	75.6
Soybeans	43.1	54.6	69.9	67.5	70.9	63.8	67.7	63.2
Cotton	11.9	9.5	14.5	14.3	11.3	7.9	11.1	10.7
Other crops	11.6	10.7	12.7	13.2	13.4	10.5	12.7	11.4
Major crop plantings, total 2/	234.1	272.3	299.2	306.9	303.1	261.4	292.8	288.4
Harvested acreage, total	207.3	247.4	267.2	281.9	277.3	221.7	263.2	260.4
Conserving uses	52.9	2.4	0	0	11.1	78.0	26.9	34.0

1/ Excludes 9.6 million acres of wheat, barley and oats for conservation use only.
2/ Includes corn, sorghum, barley, oats, wheat, soybeans, cotton, rice, sunflowers, rye, flaxseed, dry edible beans, sugarbeets, and harvested area for rye and sugarcane.

Prices Received and Paid by Farmers



Prices paid includes commodities and services, interest, taxes, and wage rates

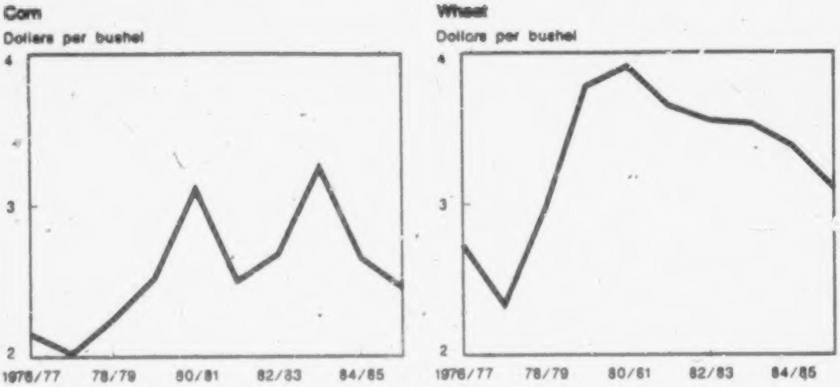
1985 Preliminary

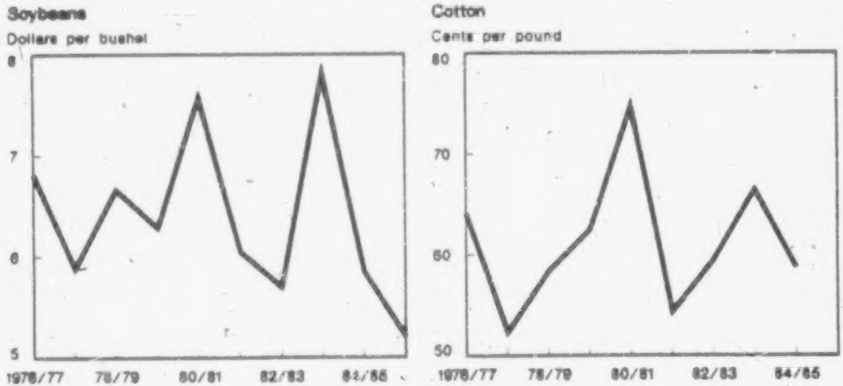
Prices Received and Paid by Farmers

Item	1975	1979	1980	1981	1982	1983	1984	1985 Prelim.
	Percent of 1977							
Prices received								
(all commodities)	101	132	134	139	133	134	142	128
Crops	105	116	125	134	121	127	138	120
Livestock products	98	147	144	143	145	141	146	136
Prices paid	89	123	138	150	157	160	164	163
Wage rates	85	117	126	137	144	148	150	152
Machinery 1/	82	122	136	152	165	174	181	178
Energy and fuels	88	137	188	213	210	202	201	201
Fertilizer	120	108	134	144	144	137	143	135

1/ Tractors and self-propelled machinery.

U.S. Commodity Prices





U.S. Commodity Prices

	Season-average price			
	Corn	Wheat	Soybeans	Cotton
		Dollars per bushel		Cents per pound
1976/77	2.15	2.73	6.81	64.1
1977/78	2.02	2.33	5.88	52.3
1978/79	2.25	2.97	6.66	58.4
1979/80	2.52	3.78	6.28	62.5
1980/81	3.11	3.91	7.57	74.7
1981/82	2.50	3.65	6.04	54.3
1982/83	2.68	3.55	5.69	59.4
1983/84	3.25	3.53	7.81	66.4
1984/85	2.65	3.38	5.85	58.7
1985/86 Forecast	2.30-2.50	3.00-3.20	5.05-5.35	55.5 1/

1/ Weighted-average price for first 5 months of season; not a projection for 1985/86.

U.S. AGRICULTURAL EXPORTS

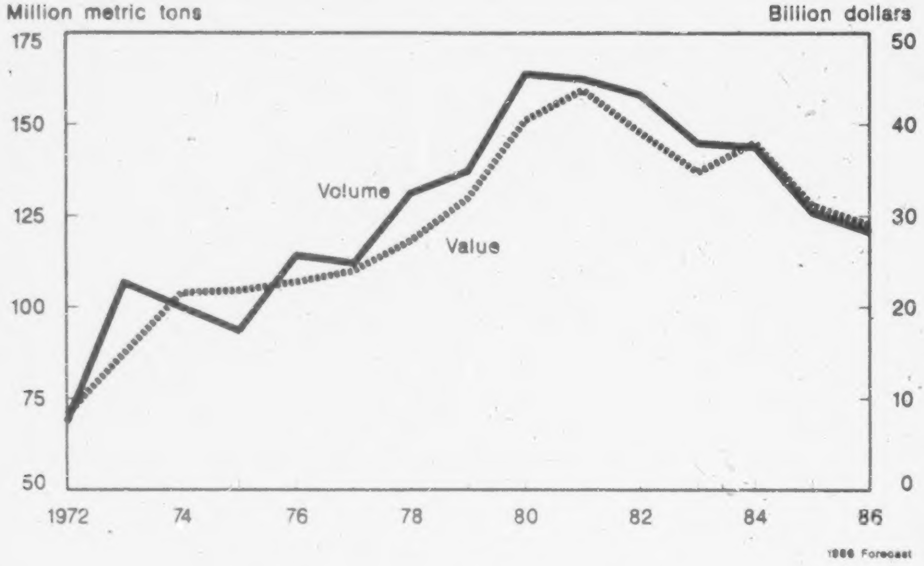
* U.S. agricultural exports will stand to benefit in future years from lower prices, due to the weaker dollar and lower farm prices, and global economic growth. But U.S. farm exports, after dropping sharply in 1984/85 to about $31 billion, are likely to decline further in 1985/86.

* Even though exports have fallen off in value, they continue to outstrip agricultural imports. In 1985, the agricultural trade balance dropped to about $9 billion, down from the more than $26 billion in 1981. The nonagricultural trade balance widened further with imports outpacing exports by about $150 billion. The new farm legislation and economic policies should help to increase agricultural exports in the future and add to the agricultural trade balance.

* As exports have fallen off it has been reflected in the U.S. share of production exported. Only 31 percent of total grain production was exported in 1984/85, compared with 47 percent in 1983/84. The sharpest declines were in cotton and wheat as world production and supplies of these commodities have remained extremely abundant.

* U.S. exports are also falling as a share of world trade. In 1984/85, total U.S. grain exports only accounted for 40 percent of world trade. In 1980/81, U.S. exports were 53 percent of the world total. Soybeans still account for about two-thirds of world trade, but they are down from more than 80 percent in the early 1980's. Some further erosion of trade is likely in 1985/86 as U.S. exporters face very stiff competition in world markets from large supplies of lower priced foreign commodities.

U.S. Agricultural Exports



U.S. Agricultural Exports: Value by Destination 1/

Destination	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Estimate
				Billion dollars			
W. Europe, Japan & Canada	12.45	20.70	19.78	17.91	18.14	14.57	14.1
Africa & Latin America	3.29	9.72	7.38	7.13	8.15	7.10	6.8
Asia (excluding Japan & China)	4.04	7.21	6.58	7.15	7.38	6.03	5.7
USSR	1.90	1.71	2.32	0.98	2.51	2.51	1.4
Eastern Europe	0.92	2.05	0.92	0.83	0.74	0.53	0.6
China	0.02	2.18	1.82	0.55	0.69	0.24	0.2
Other	0.12	0.21	0.29	0.23	0.22	0.21	0.2
Total	22.74	43.78	39.09	34.78	38.03	31.19	29.0

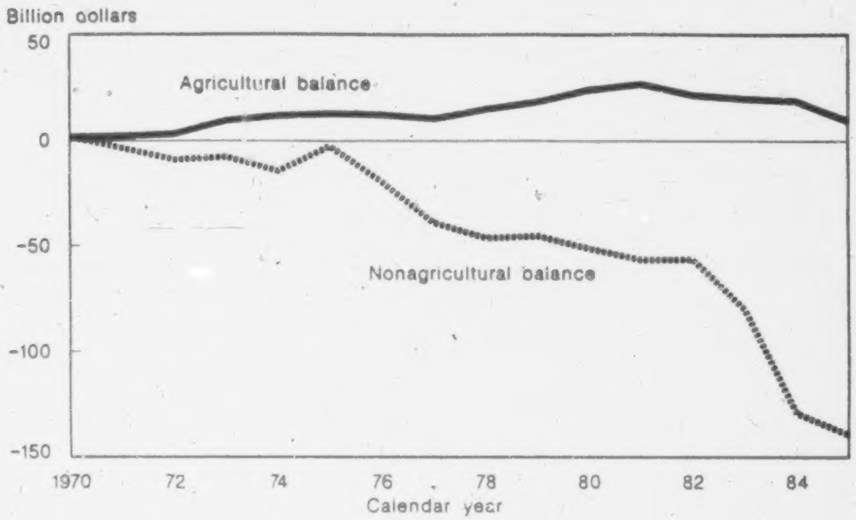
1/ October-September years.

U.S. Agricultural Exports: Volume by Commodity 1/

Commodity group	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Estimate
				Million metric tons			
Grains & preparations	68.8	116.6	106.6	94.8	101.2	87.3	80.9
Wheat	29.3	42.2	44.6	36.7	41.7	28.5	28.0
Corn	28.8	59.4	49.6	47.1	47.0	46.3	41.3
Sorghum	5.4	7.7	6.3	5.4	6.2	7.5	7.0
Rice	2.2	3.2	2.9	2.3	2.3	2.0	1.8
Oilseeds & products	17.0	29.8	35.4	34.4	27.0	23.8	26.0
Soybeans & products 2/	15.9	26.9	32.7	31.9	25.0	21.2	24.1
Animals & products	1.4	2.5	2.6	2.5	2.5	2.3	2.3
Fruits, nuts, veg.	2.8	3.9	4.3	3.7	3.5	3.3	2.3
Cotton	0.9	1.2	1.5	1.1	1.5	1.3	0.8
Other 3/	3.4	8.3	7.5	8.4	8.1	7.9	7.2
Total	92.4	162.3	157.9	144.8	143.8	125.9	120.5

1/ October-September years. 2/ Export weight; not bean or meal equivalent.
3/ Includes feed and fodders.

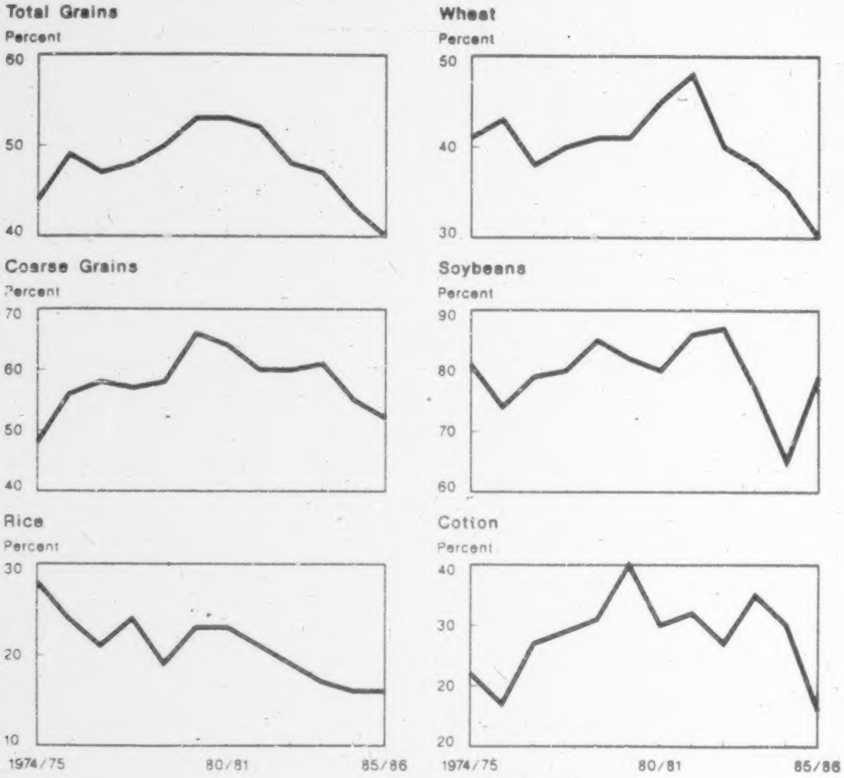
Agricultural and Nonagricultural Trade Balance



Agricultural, Nonagricultural and Total Trade Balances, Calendar Years

Item	1950	1960	1970	1975	1980	1981	1982	1983	1984	1985 Prelim.
	Billion dollars									
Agricultural										
Exports	2.9	4.8	7.3	21.9	41.2	43.3	36.6	36.1	37.8	29.0
Imports	4.0	3.8	5.8	9.3	17.4	16.8	15.2	16.5	19.3	19.6
Balance										
Agricultural	-1.1	+1.0	+1.5	+12.6	+23.9	+26.6	+21.2	+19.6	+18.5	+9.4
Nonagricultural	+2.5	+4.4	+1.3	-2.9	-51.3	-56.6	-56.4	-80.3	-129.4	-152.8
Total Trade	+1.4	+5.4	+2.8	+9.7	-27.4	-30.0	-35.2	-60.7	-110.9	-143.4

U.S. Exports as Share of World Trade



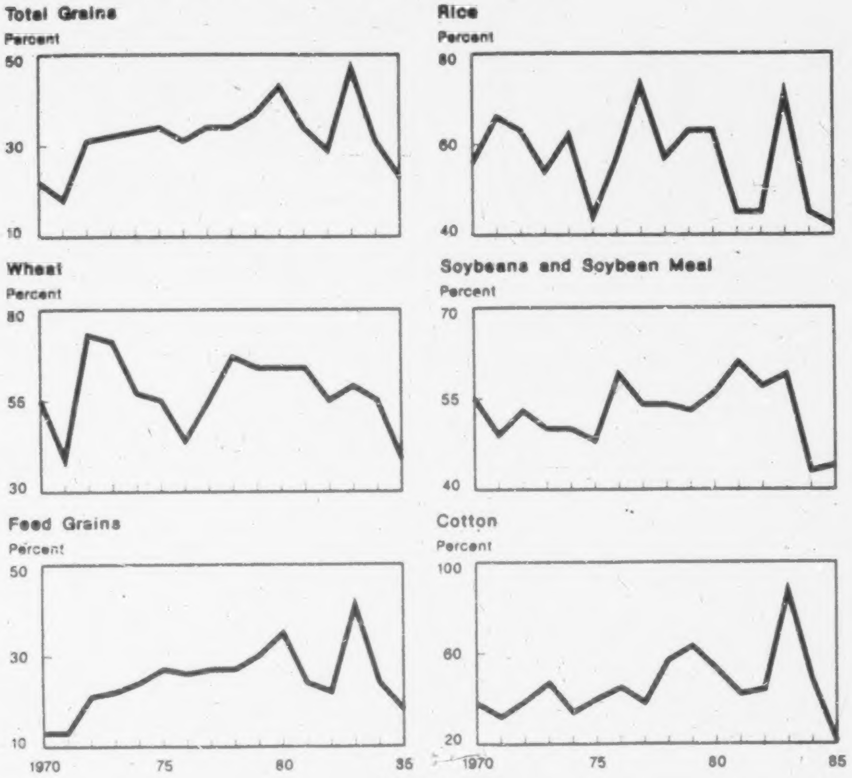
1985/86 Forecast

U.S. Exports as a Share of World Trade 1/

Item	1970/71	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Forecast
				Percent				
Wheat	35	43	45	48	40	38	35	30
Coarse grains	38	56	64	60	60	61	55	52
Rice	16	24	23	21	19	17	16	16
Total grains	35	[illegible]	53	52	48	47	43	40
Soybeans	94	79	80	86	87	77	65	79
Cotton	22	17	30	32	27	35	30	16

1/ Wheat and coarse grains, [illegible] years; rice, calendar year; soybeans, September-August year; cotton, August-July year.

U.S. Exports as a Share of U.S. Production



1986 Forecast

U.S. Exports as a Share of U.S. Production, Crop Marketing Years 1/

Commodity	1970/71	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Forecast
					Percent			
Wheat	55	55	64	64	55	59	55	39
Feed grains	13	27	35	24	21	41	24	18
Rice	55	43	63	45	45	71	45	42
Total grains	22	34	43	34	29	47	31	23
Soybeans 2/	55	47	56	61	57	59	43	44
Cotton	38	40	53	42	44	87	49	21

1/ Production is in first year of marketing year.
2/ Exports include soybean equivalent of meal exports.

GRAINS

Wheat

* World wheat production is expected to fall 2 percent in 1985/86 after 5 years of increase. Output dropped in the United States and most other major exporting countries. In contrast, Canada, Brazil and the USSR harvested larger crops. World production may exceed slightly smaller consumption, and global wheat stocks at the close of 1985/86 are likely to rise to 25 percent of a year's use, the second highest level in the last 15 years.

* After 2 years of increases, global wheat trade in 1985/86 probably will drop over 15 percent from last season's record. U.S. wheat exports will likely account for two-thirds of this drop. This is the fourth season of decline for U.S. exports, despite the Export Enhancement Program. The U.S. share of world wheat trade is likely to fall to under 30 percent.

* With smaller domestic feed use and exports, U.S. ending stocks of wheat could rise by a fourth in 1985/86 to reach a record 1.8 billion bushels. Prices, declining for the fifth season, currently are forecast in the $3.00-$3.20 range, down from $3.38 in 1984/85. Prices for the balance of this season will be affected by program provisions for the 1986 crop, especially the sharply lower loan rate.

Rice

* The world rice situation is little changed from last year. Reduced consumption from last year's record will nearly offset the drop in production, resulting in a slight stocks buildup.

* Global rice trade in calendar year 1986 is expected to about match the depressed 1985 level of 11.2 million tons. U.S. rice exports are likely to fall about 8 percent this marketing year. The U.S. share of the world market dropped to under 17 percent in 1985, compared with nearly 30 percent in the mid-1970's. U.S. production was slightly below the 1984 level. With declining exports and no expected gain in domestic use, U.S. ending stocks for 1985/86 are projected to rise over 30 percent.

* Prices are projected to average in the $7.75-8.75 range—not much above the $8.00 loan rate. Prices and exports in the last quarter of this marketing year will be affected by the 1985 marketing loan program, which will allow repayment of loans at the world rice price.

Coarse Grains

* Global coarse grain production is expected to rise 4 percent to a record high in 1985/86, mainly because of a 15-percent increase in U.S. output. Despite an estimated 9-percent increase in Soviet production, foreign coarse grain output is falling slightly this year, due to declines in Eastern and Western Europe, China, Brazil and India.

* World consumption of coarse grains will be record large, but will fall far short of production, causing a sizable rebuilding of stocks, virtually all in the United States. The global coarse grain carryover at the end of 1985/86 should climb by over 60 percent. The expected stocks-to-use ratio of 20 percent is the highest since 1963/64.

* Global coarse grain trade will likely fall about 6 percent from last year's level, due mainly to an expected 10-million-ton drop in Soviet buying. The Soviets imported a record 27 million tons of coarse grains in 1984/85, of which the United States shipped almost 16 million tons. With the expected drop in Soviet buying, U.S. corn exports in 1985/86 may drop about 12 percent to the lowest level in 11 years. Again this year, two traditional major importers—China and the EC—will be net exporters of coarse grains.

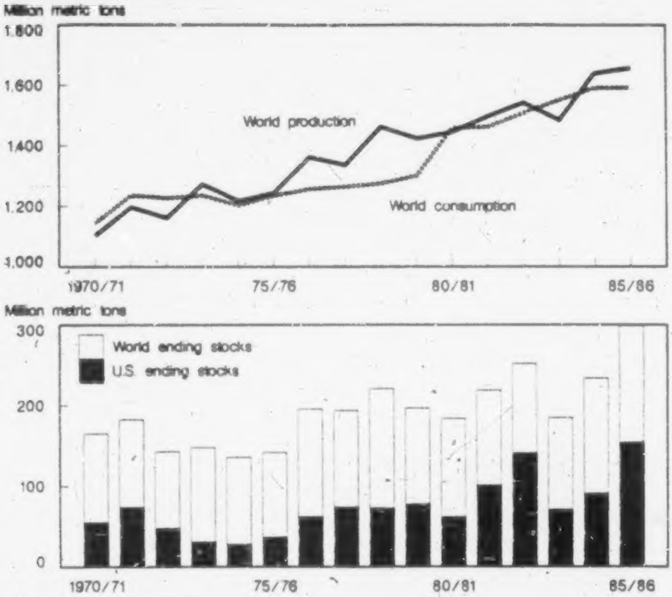
* The smaller U.S. exports, only a marginal gain in domestic feed use and record food and industrial use of corn will likely reduce total U.S. coarse grains use about 2 percent below last season. Thus, ending stocks are expected to rise substantially and sharply exceed the previous record level. The projected 1985/86 corn carryover of almost 3.4 billion bushels would be more about 2.5 times last year's level, and would represent a stocks-to-use ratio of 50 percent, above the pre-PIK year and above any other year since 1960/61.

* With larger available supplies, corn prices are projected at $2.30-2.50 a bushel compared with last year's average of $2.65. Prices for the remainder of this marketing year will be affected by 1986 program provisions, especially the reduced loan rate and any advanced deficiency payments made in kind.

* The 1985 sorghum crop is estimated at a record 1,113 million bushels, a 29-percent increase from 1984. Feed use should increase, but exports are likely to decline with increased Argentine supplies and reduced import needs. Stocks will almost double and farm prices are expected to average $2.10-2.30 a bushel, below last year's $2.40. Prices in the summer will likely be pressured by early new crop supplies and 1986 crop wheat with a substantially lower loan rate.

* The U.S. barley supply for 1985/86 is at an all-time high, while the oat supply is above 1984/85 but still one of the smallest on record. Farm prices for barley are expected to average $1.95-2.15 a bushel, down from last season's $2.30, while oat prices are expected to be $1.20-1.40 a bushel, down from $1.71 last year.

Grains: World Production and Consumption, World and U.S. Ending Stocks[1]



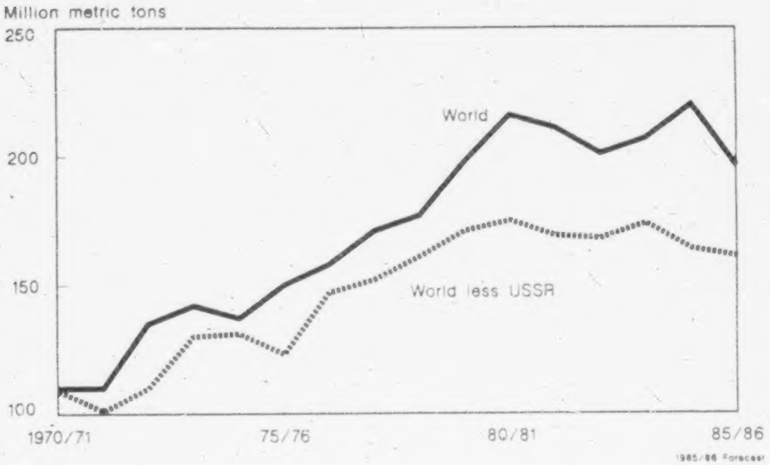
1/ Includes wheat, coarse grains, and milled rice.

1985/86 Forecast

World and U.S. Grain Production, Consumption, Stocks and Stocks/Use Ratio

Item	1970/71	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Forecast
	Million metric tons							
Production								
World	1,103	1,245	1,446	1,498	1,543	1,484	1,641	1,658
U.S.	186	247	268	328	331	206	312	341
Consumption								
World	1,145	1,236	1,459	1,463	1,509	1,552	1,592	1,593
U.S.	164	155	170	180	195	180	197	202
Ending stocks								
World	165	142	184	219	253	185	234	299
U.S.	55	37	62	101	141	71	91	154
Stocks/use ratio								
World	14.4	11.5	12.7	15.0	16.8	11.9	14.7	18.8
U.S.	33.5	23.9	36.5	56.1	72.3	39.4	46.1	76.2

World Grain Imports

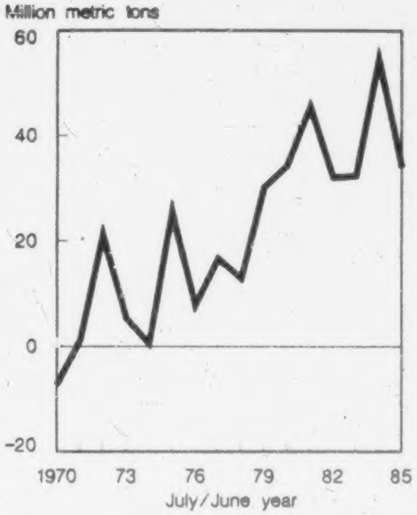


World Grain Imports 1/

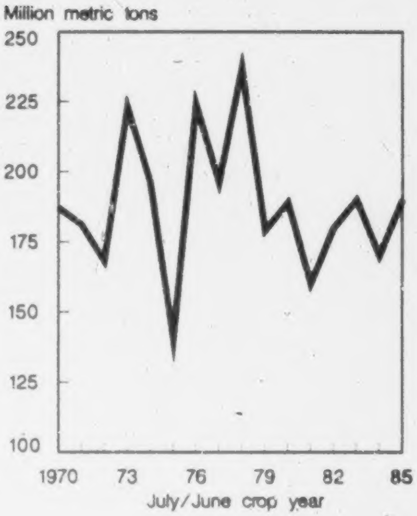
Item	1970/71	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Forecast
				Million metric tons				
World	110	150	215	210	200	207	220	196
USSR	1	26	35	41	32	33	56	35
World less USSR	109	124	180	169	168	174	164	161

1/ Marketing years for wheat and coarse grains, calendar year for rice; excludes intra-EC trade.

USSR Grain: Net Imports



USSR Total Grain Production



Soviet Grain Supply and Utilization

Year (July-June)	Production	Trade: Imports: Total	Trade: Imports: U.S.	Trade: Exports	Availability 1/	Utilization: Feed	Utilization: Total	Stock change 2/
				Million metric tons				
				Total grains 3/				
1974/75	196	5.7	2.3	5.3	196	107	206	-10
1975/76	140	26.1	13.9	0.7	166	89	180	-14
1976/77	224	11.0	7.4	3.3	232	112	221	+11
1977/78	196	18.9	12.5	2.3	213	122	228	-16
1978/79	237	15.6	11.2	2.8	250	125	231	+19
1979/80	179	31.0	15.2	0.8	298	123	222	-13
1980/81	189	34.8	8.0	0.5	223	119	225	-2
1981/82 4/	160	46.0	15.4	0.5	206	116	210	-4
1982/83 5/	180	32.5	6.2	0.5	212	117	213	-1
1983/84 5/	190	32.9	10.4	0.5	222	120	219	+3
1984/85 5/	170	55.5	22.3	1.0	225	121	218	+6
1985/86 6/	190	35.0		1.0	224	121	218	+6
				Wheat				
1974/75	84	2.5	1.0	4.0	82	34	93	-11
1975/76	66	10.1	4.0	0.5	76	30	87	-11
1976/77	97	4.6	2.9	1.0	100	28	92	+8
1977/78	92	6.6	3.3	1.0	98	44	108	-10
1978/79	121	5.1	2.9	1.5	125	43	107	+18
1979/80	90	12.0	3.9	0.5	102	53	115	-13
1980/81 4/	98	16.0	3.0	0.5	114	48	115	-1
1981/82 5/	80	19.5	6.9	0.5	99	42	102	-3
1982/83 5/	86	20.2	2.0	0.5	196	45	106	0
1983/84 5/	79	20.5	4.4	0.5	99	36	97	-12
1984/85 5/	73	28.1	6.1	1.0	100	36	96	-14
1985/86 6/	83	17.0		1.0	99	34	95	+4
				Coarse grains				
1973/74	101	6.4	5.2	0.9	106	70	105	+1
1974/75	100	2.7	1.3	1.0	101	68	100	+1
1975/76	66	15.6	9.9	—	81	56	84	-3
1976/77	115	5.7	4.5	2.0	119	78	116	+3
1977/78	93	11.7	9.2	1.0	103	74	109	-5
1978/79	105	10.0	8.3	1.0	114	79	113	+1
1979/80	81	18.4	11.3	—	100	68	100	+2
1980/81	81	18.0	4.0	—	99	67	100	-1
1981/82 4/	72	25.5	8.5	—	98	71	99	-1
1982/83 5/	86	11.3	3.2	—	97	68	98	-1
1983/84 5/	99	11.4	6.0	—	110	77	109	+1
1984/85 5/	86	16.9	16.2	—	113	70	111	+2
1985/86 6/	94	17.0		—	111	79	109	+2

1/ Availability excludes beginning stocks. Totals may not add due to rounding.

2/ Minus indicates withdrawal from stocks.

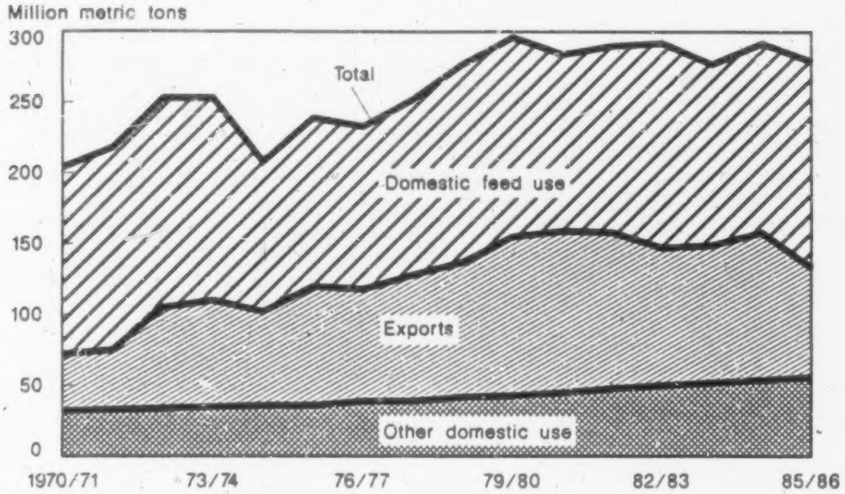
3/ Total grain production, trade and utilization figures include pulses, paddy rice, buckwheat, and miscellaneous grains, in addition to wheat and coarse grains.

4/ Preliminary for trade, availability, utilization, and stock change.

5/ Preliminary for production, trade, availability, utilization and stocks change.

6/ Forecast.

U.S. Grain Disappearance[1]



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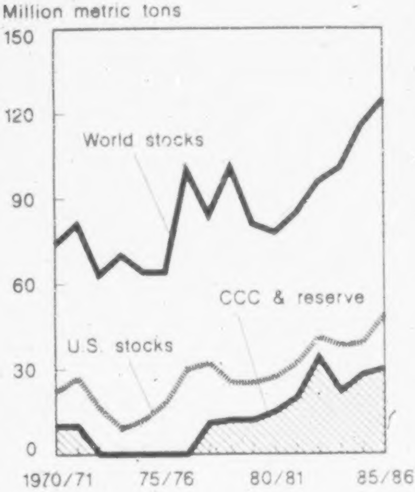
[1] Includes feed grains, wheat, rye, and rice.

U.S. Grain Disappearance

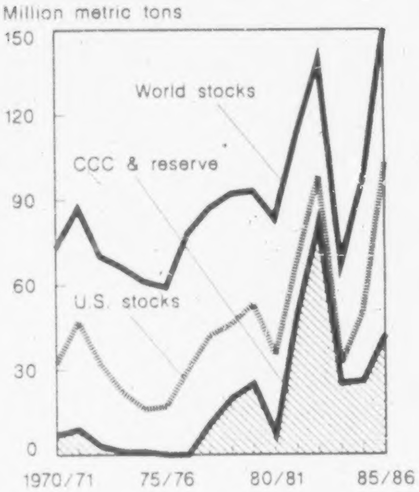
Item	1970/71	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Forecast
					Million metric tons			
Feed Use	132	117	125	132	145	128	142	146
Other Use	32	36	45	48	50	52	55	56
Total Domestic	164	155	170	180	195	180	197	202
Exports	40	84	114	110	97	97	97	77
Total Use	204	239	284	290	292	277	294	279

World Wheat Ending Stocks



1985/86 Forecast

World Coarse Grain Ending Stocks



World and U.S. Grain Stocks and U.S. Reserves

Item	1978/79	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Projected
				Million metric tons			
Wheat carryover stocks							
World	101	78	85	97	101	116	126
World less U.S.	76	51	53	56	63	77	76
U.S.	25	27	32	41	38	39	50
Farmer-owned reserve	11	10	15	29	17	18	13
CCC inventory	1	5	5	5	5	10	17
Free	13	12	11	7	16	11	20
Coarse grain carryover stocks							
World	92	83	112	139	67	97	158
World less U.S.	46	48	44	41	35	46	49
U.S.	46	35	68	98	32	50	110
Farmer-owned reserve	16	—	40	47	17	17	21
CCC inventory	4	7	9	34	8	10	19
Free	26	28	20	17	6	24	69
Total grain carryover stocks 1/							
World	221	184	218	253	185	235	308
World less U.S.	149	122	117	112	114	143	145
U.S.	72	62	102	141	71	91	163
Farmer-owned reserve	27	15	55	76	34	35	34
CCC inventory	5	12	15	40	15	22	39
Free	40	35	32	26	23	36	90

1/ Includes wheat, coarse grains, and milled rice.

SOYBEANS AND OTHER OILSEEDS

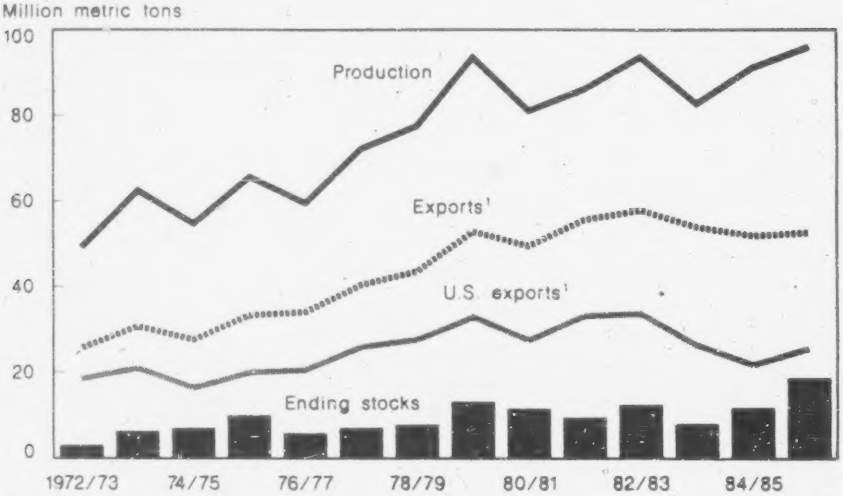
* Large U.S. and world supplies of oilseeds and oils and only modest gains in demand dominate the oilseed outlook for 1985/86. Lower foreign production of soybeans, mainly in Brazil, and of cottonseed following several years of rising output should help U.S. exports of soybeans and soybean meal.

* Record crops of world and Malaysian palm oil for the last two marketing years are contributing to excess supplies of vegetable oils. Significant production gains in sunflowerseed and rapeseed in a number of importing countries, notably in Europe, are also slowing gains in world trade for oilseeds and oils. Some increase in U.S. vegetable oil imports is likely for 1985/86. U.S. vegetable oil exports are forecast to drop sharply.

* U.S. soybean exports could rise about 25 percent from the low 1984/85 level, helped by large gains in Soviet imports, a lower Brazilian crop and a declining U.S. dollar. Soybean meal exports could gain a tenth. But with about stable domestic use of soybean meal, the U.S. crush is expected to show only a 3-percent increase. So, with the much larger crop, U.S. stocks will rise sharply in 1985/86.

* The Commodity Credit Corporation (CCC) is expected to acquire around 150 million bushels of soybeans in 1985/86. Resale of these beans by CCC is based on prices reaching 105 percent of the loan plus monthly interest costs. Consequently, U.S. prices to producers are probably limited on the upside to around $5.50 per bushel this marketing year with the full year average price likely to fall in a range of $5.05 to $5.35 per bushel.

World Soybean Production, Trade, and Stocks and U.S. Exports



1/ Exports includes soybean equivalent of soybean-meal exports

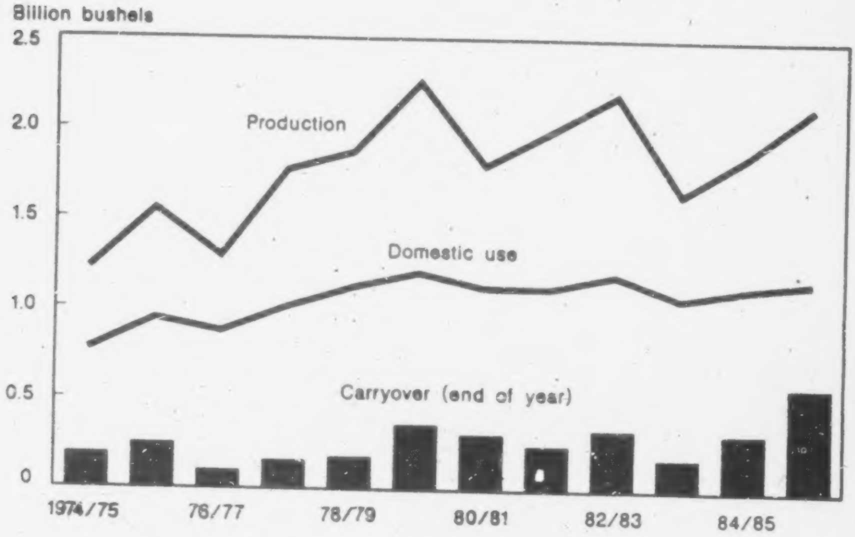
1985/86 Forecast

World Soybean Production, Consumption, Exports and Stocks and U.S. Exports

Item	1972/73	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Forecast
				Million metric tons				
Production	49.2	65.6	81.0	86.1	93.6	82.6	91.1	96.0
Crush	38.3	51.8	70.1	72.7	75.6	71.6	72.5	74.7
Exports 1/	25.7	33.3	49.5	55.6	57.8	53.8	51.8	52.6
U.S. Exports 1/	18.5	20.0	27.5	33.2	33.7	26.3	21.9	25.7
Ending Stocks	3.0	10.0	11.6	9.5	12.5	8.0	11.8	18.7

1/ Exports include soybean equivalent of soybean meal exports.

U.S. Soybean Production, Use, and Carryover



U.S. Soybean Production, Domestic Use, Exports and Ending Stocks

Item	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Forecast
	Billion bushels						
Production	1.55	1.80	1.99	2.19	1.54	1.86	2.10
Domestic use	0.94	1.12	1.12	1.19	1.06	1.12	1.14
Exports	0.56	0.72	0.93	0.90	0.74	0.60	0.75
Ending stocks	0.25	0.31	0.25	0.34	0.18	0.32	0.52

LIVESTOCK

Dairy

* Milk production has been up sharply from a year earlier reflecting a larger dairy herd and increased output per cow. The whole-herd buyout program will influence milk production in 1986 and well into 1987. The program's objective is to reduce milk production by 12 billion pounds, which would significantly reduce Government dairy product purchases.

* Commercial use has rebounded and could continue increasing in coming months because of attractive retail dairy-product prices. The promotion program may also support increased use. While CCC purchases of dairy products have been large so far this year, the level of purchases this spring and summer will largely depend on participation in the whole herd buyout program.

Beef

* Cattle producers have been cutting back the inventory in recent years because of poor returns and weakness in the overall agricultural sector. In 1986, beef production is expected to decline as slaughter further eases and market weights fall. The dairy whole-herd buyout program is a source of uncertainty for beef production, particularly on cow beef output.

* Cattle prices were under the pressure in 1985, but should show some increase in 1986. Support will come from reduced beef and total meat output and continued expansion in consumers' incomes. The higher cattle prices should improve the income of beef producers but it may be too late to prevent another decline in the cattle inventory during 1986.

Pork

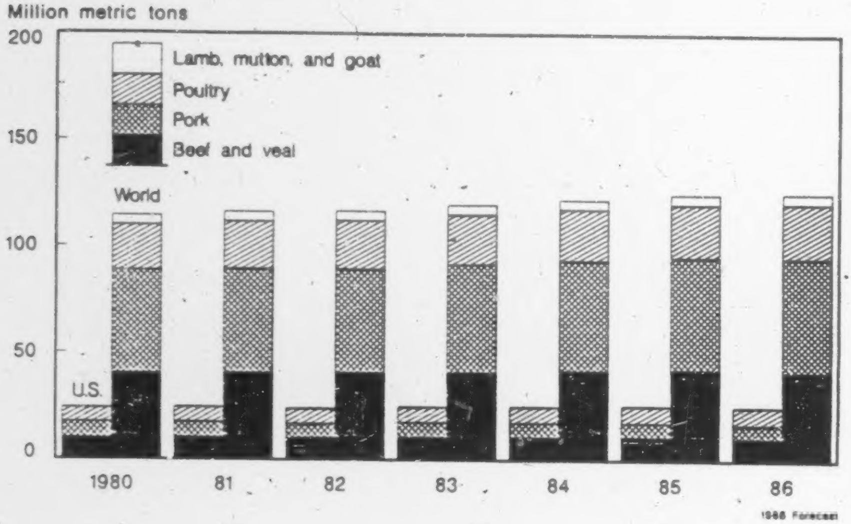
* Pork producers reduced their breeding inventories and the number of sows farrowing during 1985. In December 1985, pork producers reported that their inventory of market hogs was down from a year earlier and that during the next 6 months they intended to have fewer sows farrow than a year earlier. This suggests that hog slaughter and pork production may be down slightly from 1985.

* During 1986, hog prices should benefit from lower pork output, as well as reduced beef supplies and higher beef prices. Increased poultry meat output, however, will be a dampening factor for hog prices. During 1985, hog prices averaged about $4 per cwt below the year-earlier level.

Poultry

* Broiler and turkey producers are expected to continue to expand output in 1986. Broiler prices may not change much from the 1985 average, and with lower feed costs, returns are likely to be above-average again this year. However, turkey prices in 1986 likely will average below last year's level. Even with feed costs declining, returns to producers may be squeezed in the first half of the year returns should increase during the second half.

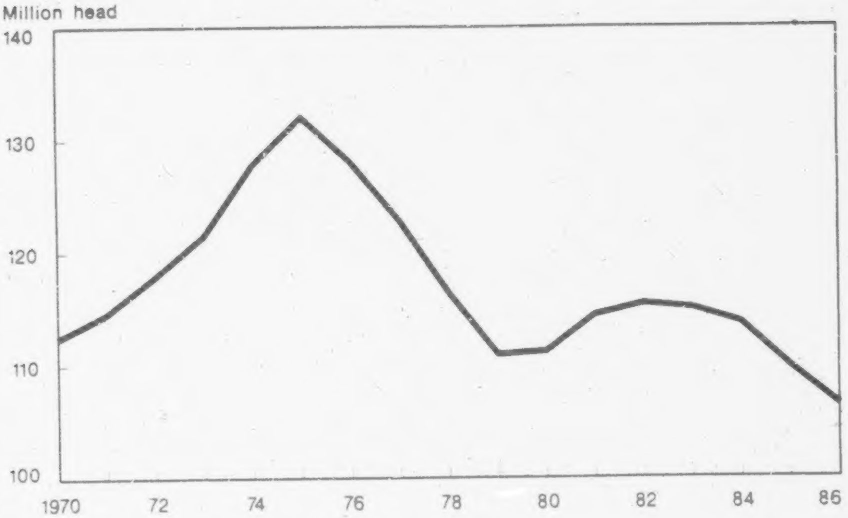
U.S. and World Meat Production



U.S. and World Meat Production

Item	1980	1981	1982	1983	1984	1985 Prelim.	1986 Forecast
	Million metric tons						
Beef and veal							
U.S.	10.0	10.4	10.4	10.7	10.9	11.0	10.5
World	40.5	40.7	40.8	41.1	42.0	42.6	41.8
Pork							
U.S.	7.5	7.2	6.5	6.9	6.7	6.7	6.5
World	48.3	48.7	48.6	50.8	51.8	53.0	53.6
Poultry							
U.S.	6.6	6.9	7.0	7.2	7.4	7.8	8.2
World	21.2	22.3	22.9	23.5	24.1	24.9	25.5
Lamb, mutton and goat							
U.S.	0.1	0.2	0.2	0.2	0.2	0.2	0.1
World	4.4	4.5	4.5	4.5	4.4	4.6	4.7

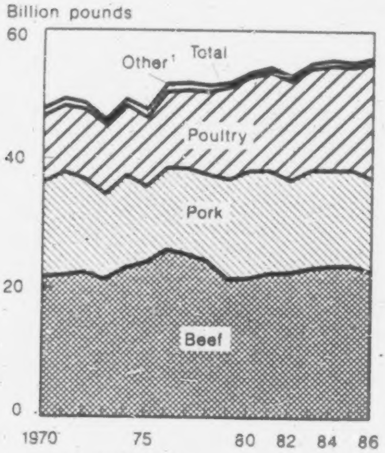
Cattle on Farms, January 1



Cattle on Farms, January 1

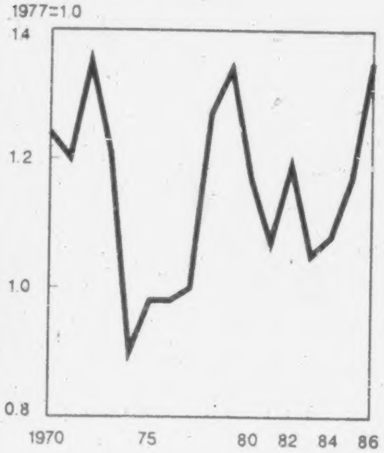
Item	1970	1980	1981	1982	1983	1984	1985	1986
	Million head							
Cattle on farms	112.4	111.2	114.4	115.4	115.0	113.7	109.7	105.5
All cows	48.8	47.9	49.6	50.2	49.0	48.6	46.2	44.8
Beef cows	36.7	37.1	38.8	39.2	37.9	37.5	35.4	33.6
Dairy cows	12.1	10.8	10.8	11.0	11.0	11.1	10.8	11.2

U.S. Meat Production



1/ Veal, lamb, and mutton

U.S. Livestock Product-Feed Price Ratio

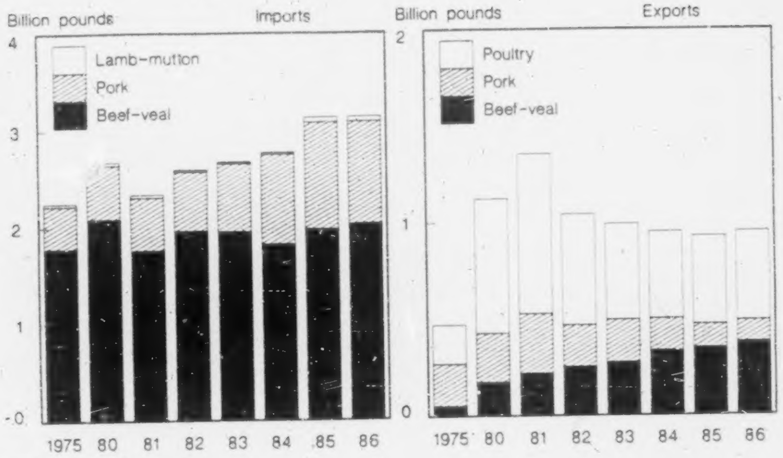


1986 Forecast

Meat Production and Livestock Feed/Price Ratio

Item	1970	1975	1980	1981	1982	1983	1984	1985	1986 Forecast
					Billion pounds				
Beef	21.7	24.0	21.6	22.4	22.5	23.2	23.6	23.7	22.8
Pork	14.7	11.8	16.6	15.9	14.2	15.2	14.8	14.8	14.5
Poultry	10.2	10.6	14.5	15.3	15.4	15.8	16.4	17.2	18.1
Other	1.1	1.3	0.7	0.8	0.8	0.8	0.9	0.9	0.8
Total	47.7	47.7	53.5	54.3	53.0	55.0	55.7	56.6	56.2
					Ratio				
Livestock feed/price ratio	1.24	.98	1.17	1.07	1.19	1.05	1.08	1.17	1.35

U.S. Meat Imports and Exports

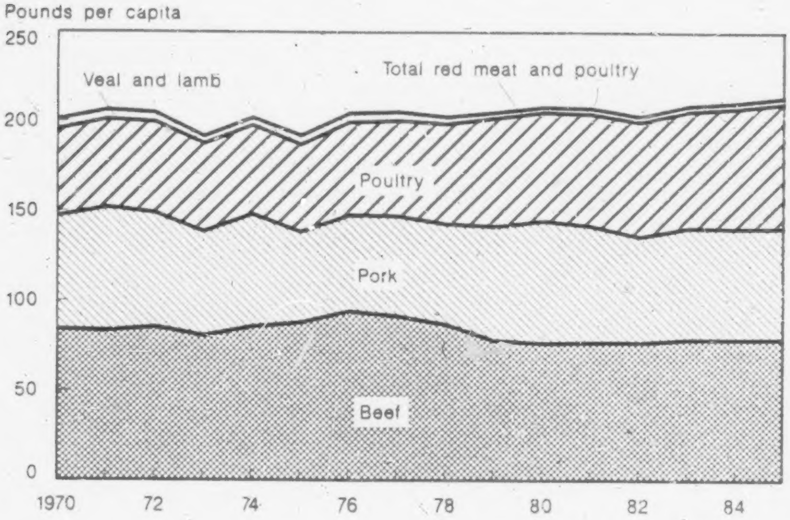


1986 Forecast

U.S. Meat Exports and Imports

Year	Beef and veal		Pork		Lamb and mutton		Poultry		Total	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	Billion pounds									
1970	1.816	.040	.491	.075	.122	.002	0	.132	2.429	.248
1975	1.782	.054	.439	.216	.027	.004	0	.202	2.248	.340
1980	2.085	.176	.550	.252	.033	.002	0	.695	2.668	1.125
1981	1.761	.221	.541	.307	.031	.002	0	.826	2.333	1.356
1982	1.958	.254	.612	.214	.019	.002	0	.575	2.589	1.045
1983	1.950	.276	.702	.219	.019	.001	0	.497	2.670	.994
1984	1.848	.335	.954	.164	.020	.002	0	.461	2.822	.962
1985	1.975	.349	1.100	.120	.032	.001	0	.457	3.127	.927
1986 Forecast	2.030	.379	1.050	.110	.030	.002	0	.460	3.130	.951

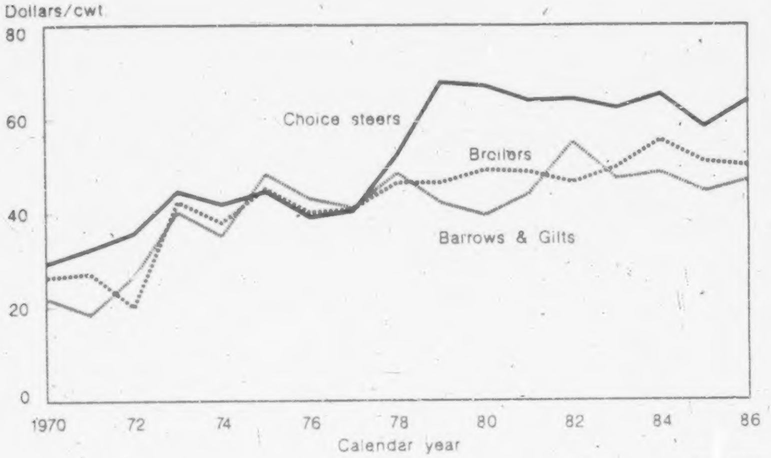
Per Capita Meat Consumption



Per Capita Meat Consumption
(Retail Weight Basis)

Item	1970	1980	1981	1982	1983	1984	1985	1986 Forecast
	Pounds							
Beef	84.1	76.5	77.2	77.2	78.7	78.6	78.9	75.0
Veal	2.4	1.5	1.6	1.7	1.6	1.8	1.8	1.7
Pork	62.3	68.3	65.0	59.0	62.2	61.9	61.9	59.6
Lamb and mutton	2.9	1.4	1.4	1.5	1.5	1.5	1.4	1.3
Total red meat	151.7	147.7	145.2	139.4	144.0	143.8	144.1	137.6
Broilers	36.8	47.0	48.6	50.0	50.8	53.0	54.9	57.1
Turkeys	8.0	10.5	10.8	10.8	11.3	11.4	12.0	12.7
Other chicken	3.6	3.1	3.0	3.1	3.0	2.7	2.8	2.6
Total poultry	48.4	60.6	62.4	63.9	65.1	67.1	69.7	72.4
Total Meat	200.1	208.3	207.6	203.2	209.1	210.9	213.3	210.0

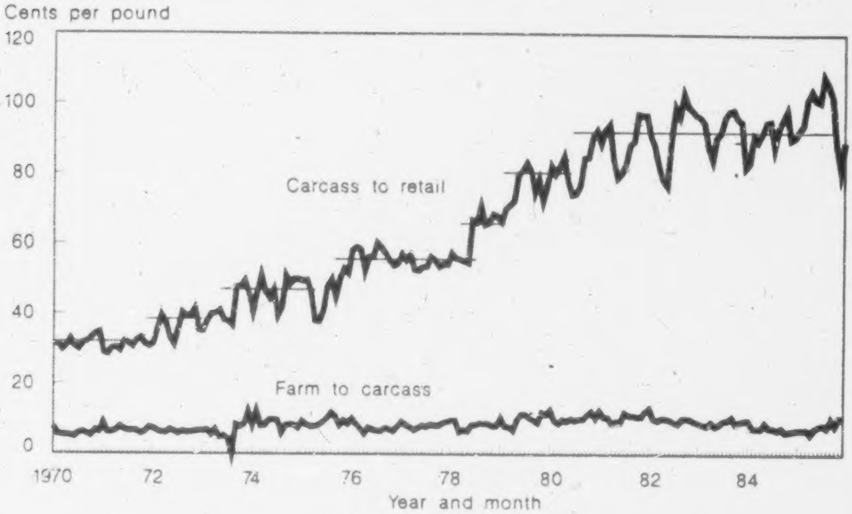
U.S. Cattle, Hog, and Broiler Prices



U.S. Cattle, Hog, and Broiler Prices

Item	1970	1975	1980	1981	1982	1983	1984	1985	1986 Forecast
					Dollars/cwt				
Choice steers	29.36	44.61	66.96	63.84	64.22	62.37	65.34	58.37	61-67
Barrow and gilts	21.95	48.32	39.48	44.05	55.07	47.33	48.86	44.77	44-50
Broilers	26.40	45.20	49.10	48.70	46.40	49.80	55.60	50.80	47-53

BEEF: Price Spread, January 1970-December 1985

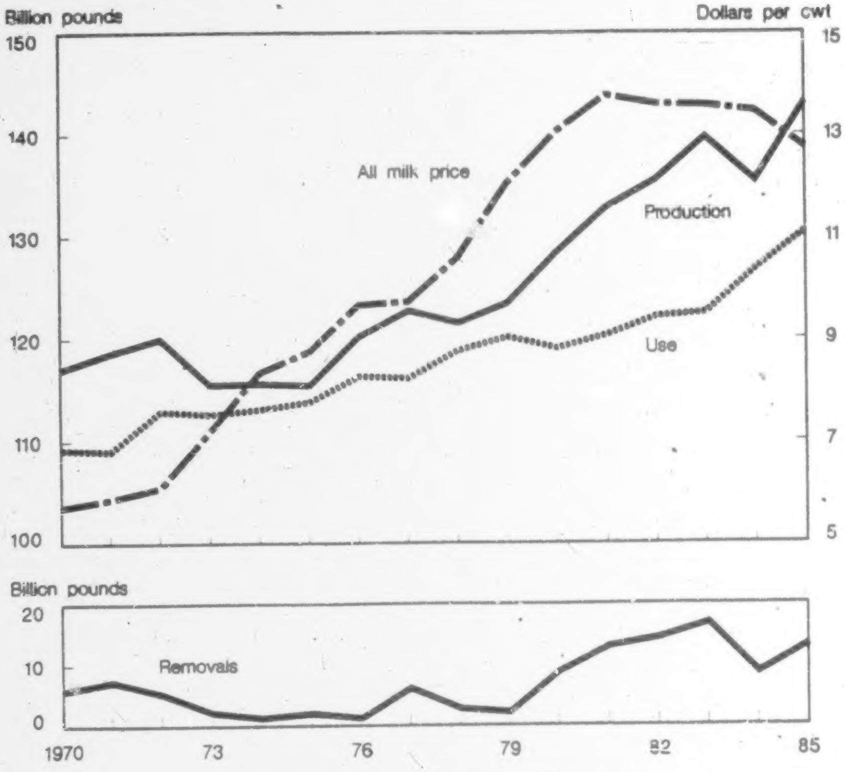


Retail Beef and Pork Price, Farm-Retail Spread, and Farmer's Share

Item	1970	1980	1981	1982	1983	1984	1985
				Cents per pound			
Beef 1/							
Retail price	101.7	237.6	238.7	242.5	238.1	239.6	232.6
Farm-retail spread	37.8	92.6	100.2	102.0	101.9	99.6	105.8
Carcass-retail	31.9	82.2	89.4	91.8	92.7	92.0	97.4
Farm-carcass	5.9	10.4	10.8	10.2	9.2	7.6	8.4
				Percent			
Farmer's share	63	61	58	58	57	58	55
				Cents per pound			
Pork							
Retail price	77.4	139.4	152.4	175.4	169.8	162.0	162.0
Farm-retail spread	38.1	76.2	82.1	87.4	93.3	84.6	90.6
Wholesale-retail	14.0	41.4	45.7	53.6	60.9	51.9	60.9
Farm-wholesale	24.1	34.8	36.4	33.8	32.4	32.7	29.7
				Percent			
Farmer's share	51	45	46	50	45	48	44

1/ Choice, yield-grade 3 carcass.

U.S. Milk Production, Use, Prices, and Government Dairy Product Purchases

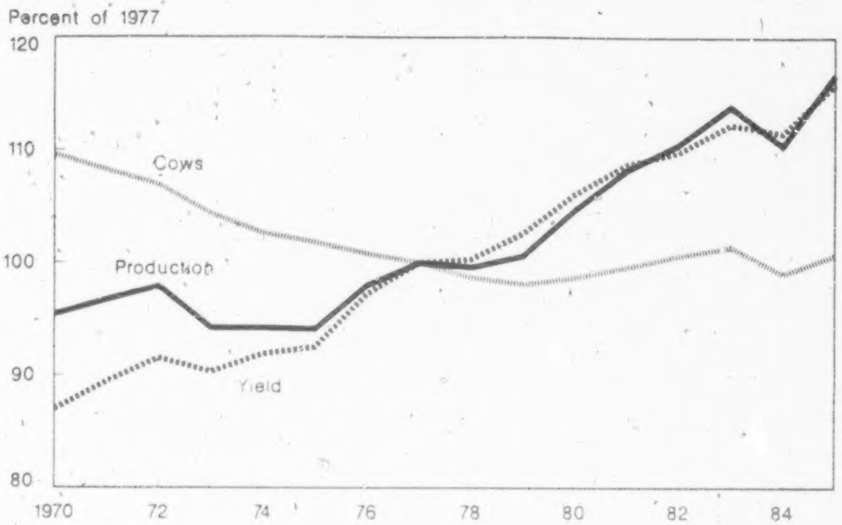


U.S. Milk Production, Use, Net CCC Removals and Price

Item	1970	1976	1980	1981	1982	1983	1984	1985
				Billion pounds				
Production	117.0	120.2	128.4	132.8	135.5	139.7	135.4	143.1
Commerical use	109.2	116.3	119.0	120.3	122.1	122.5	126.8	130.5
Net CCC removals 1/	5.8	1.2	8.8	12.9	14.3	16.8	8.6	13.2
				Dollars per cwt				
All milk, price received by farmers	5.71	9.66	13.05	13.76	13.59	13.57	13.45	12.73

1/ Milk equivalent, milkfat basis.

Milk Production, Number of Cows, and Milk per Cow



U.S. Milk Production, Milk Per Cow, and Milk Cows

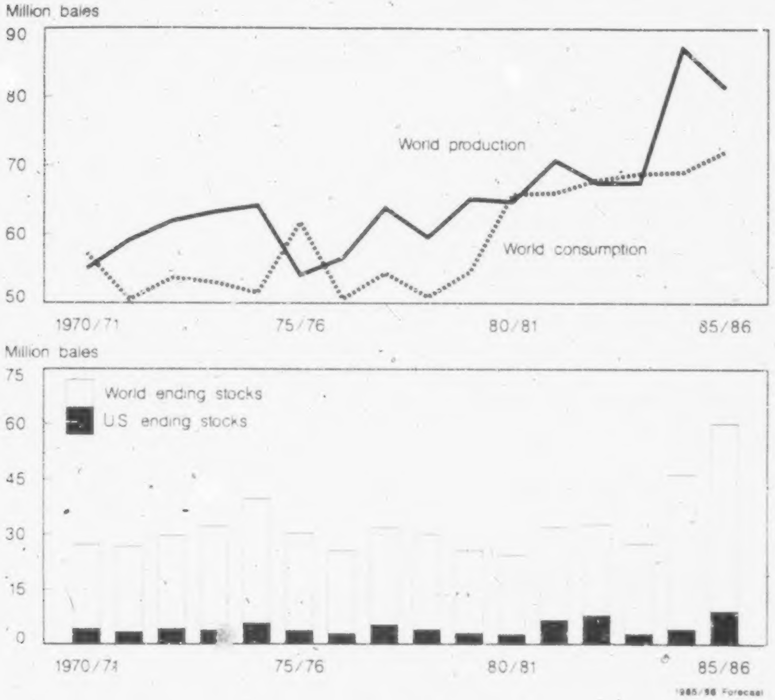
Item	1970	1976	1980	1981	1982	1983	1984	1985
					Billion pounds			
Production	117.0	120.2	128.4	132.8	135.5	139.7	135.4	143.1
					Pounds per cow			
Milk per cow	9,751	10,894	11,891	12,183	12,306	12,585	12,495	12,986
					Million head			
Cows	12.0	11.0	10.8	10.9	11.0	11.1	10.8	11.0

COTTON

* The global outlook for cotton in 1985/86 is for a record supply, moderate growth in demand, and low prices. Prospective production is placed at a near-record 82 million bales, nearly 10 million above total use, pointing to a further buildup in stocks. By the end of this season, stocks will reach a record level estimated at 51 million bales, about one fifth above the beginning level. U.S. stocks this season may more than double to nearly 9 million bales, contributing more than one-half of this season's world stock buildup. China will hold one-half of total global stocks.

* With large foreign supplies of cheaper cotton displacing U.S. cotton, U.S. exports may total only 2.8 million bales, less than one-half the 1984/85 level and the smallest since the late 1960's. On the brighter side, U.S. mill use prospects for 1985/86 are improving as cotton's market share rises. Consumption is estimated at 6.1 million bales, the largest since 1979/80.

Cotton: World and U.S. Production and Ending Stocks

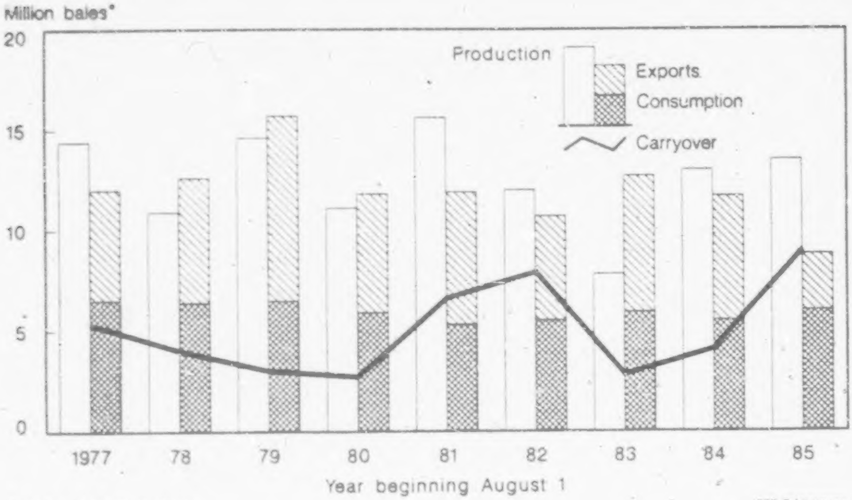


World Cotton Production, Consumption, Exports and Stocks

Item	1970/71	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
				Million bales				
Production	55.0	54.1	64.8	70.8	67.5	67.6	87.4	81.7
Consumption	57.3	61.8	65.9	66.1	68.0	68.9	69.1	72.5
Exports	17.7	19.1	19.7	20.2	19.4	19.2	20.3	19.4
Ending stocks	23.0	26.6	21.1	25.4	24.9	24.7	42.3	51.4

1/ Forecast; Southern Hemisphere crops, which account for 10 percent of global output, are no yet harvested. Global consumption is more uncertain.

U.S. Cotton Production, Use, and Carryover



* 480-Pound Net Weight Bales

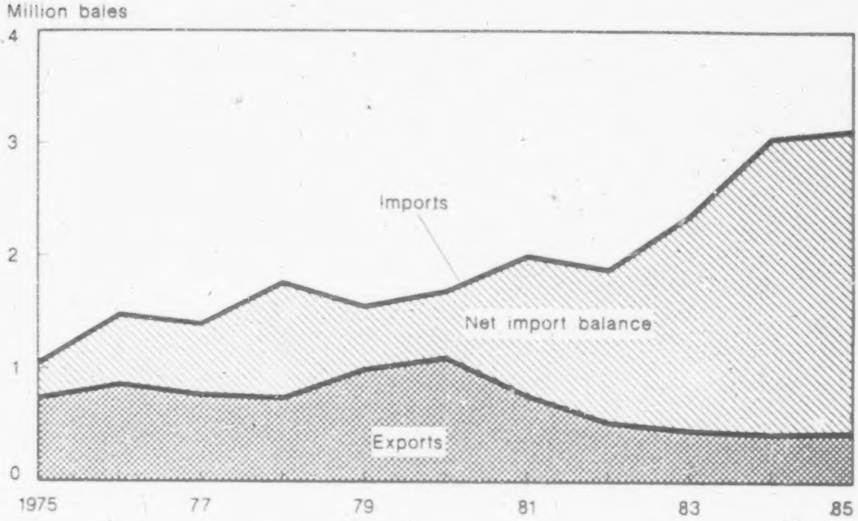
1985 Preliminary

U.S. Cotton Production, Use and Stocks

Item	1970/71	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Forecast
				Million bales				
Production	10.2	8.3	11.1	15.6	12.0	7.8	13.0	13.5
Consumption	8.2	7.2	5.9	5.3	5.5	5.9	5.5	6.1
Exports	3.9	3.3	5.9	6.6	5.2	6.8	6.2	2.8
Ending stocks	4.2	3.7	2.7	6.6	7.9	2.8	4.1	8.9
				Cents/pound				
Farm price	22.9	51.3	74.7	54.3	59.4	66.4	58.7	55.5 1/

1/ Weighted-average price during the first 5 months of the season. This is not a forecast for 1985/86.

U.S. Cotton Textile Trade



U.S. Cotton Textile Trade

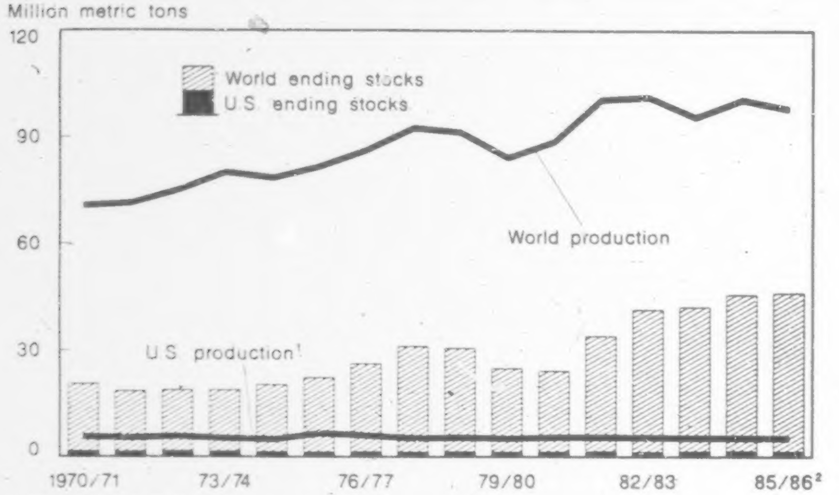
Item	1970	1975	1980	1981	1982	1983	1984	1985 Forecast
	1,000 480-pound equivalent bales							
Imports	965	1,044	1,689	2,004	1,883	2,366	3,053	3,125
Exports	415	737	1,100	765	528	458	429	445
Import balance	550	307	589	1,239	1,355	1,908	2,624	2,680

SUGAR

* USDA's early-season forecast of 1985/86 world sugar output was 98 million tons (raw value), down from last year's 100.7 million. A modest gain in consumption, led by continued expansion in the developing world was also forecast. Since those forecasts were made production prospects have generally worsened, notably in Cuba, China and Australia, while consumption has recently shown signs of being stronger than expected. Thus, the world market may tighten some in 1985/86, for the first time since 1979/80.

* World prices have recently risen to the 5-6 cent per pound range from the 3-4 cent lows that prevailed through much of 1985. U.S. prices have also strengthened, largely in response to expected policy changes. Depressed U.S. prices late in 1985 caused some CCC loan forfeitures and threatened more. The new farm bill mandates a no-net-cost sugar program, suggesting that some supply management measures will be taken to tighten the market and prevent further forfeitures to the CCC. Decisions on how to implement the new farm bill will heavily influence the U.S. sugar outlook for this year.

Sugar: World and U.S. Production and Ending Stocks



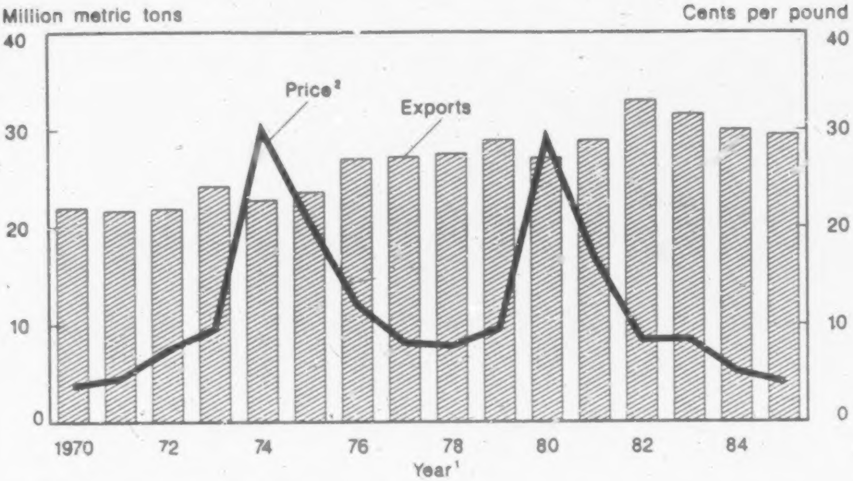
1/ Includes Hawaii. 2/ 85/86 Estimated

World and U.S. Sugar Production and Ending Stocks

Item	1970/71	1975/76	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 Estimate
				Million metric tons				
Production								
World	70.7	81.7	88.8	100.5	101.3	95.7	100.7	98.0
United States	5.6	6.6	5.5	5.5	5.4	5.3	5.3	5.3
Ending stocks								
World	19.0	21.0	24.2	34.0	41.4	42.2	45.7	46.2
United States 1/	1.5	1.3	1.4	1.5	1.3	1.5	1.6	1.5

1/ Includes Hawaii.

World Sugar Exports and Price



1/ Crop year for exports, calendar year for price.
2/ F.O.B. Caribbean, Contract No. 11.

World Sugar Exports and Prices, Raw Value

Year 1/	Exports	Price 2/
	Million metric tons	Cents per pound
1970	22.0	3.75
1975	23.6	20.49
1980	27.1	29.02
1981	28.9	16.93
1982	33.0	8.42
1983	31.6	8.49
1984	30.0	5.18
1985	29.5	4.04

1/ Crop year for exports, calendar year for price.
2/ F.o.b. Caribbean, Contract No. 11.

FOOD PRICES AND INFLATION

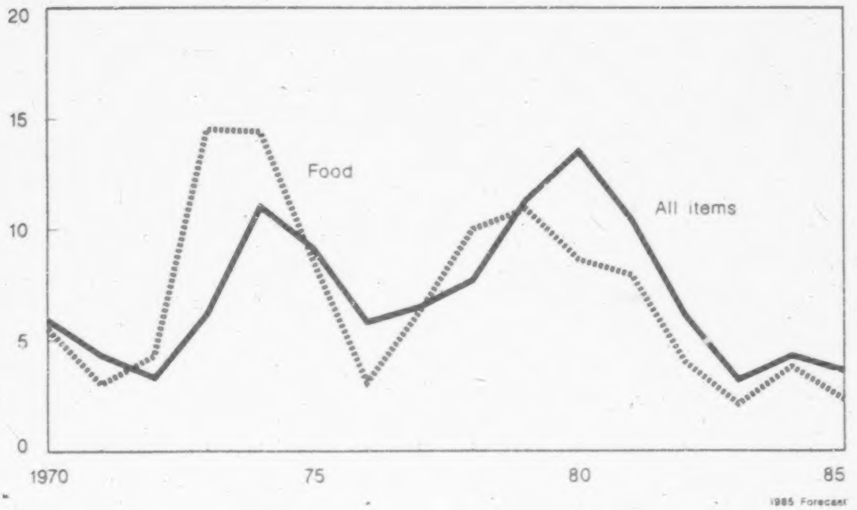
* American consumers have enjoyed large supplies of low-priced food for several years and increases in retail food prices in 1986 are expected to again be moderate. The Consumer Price Index for food rose just a little more than 2 percent last year, one of the smallest increases in 18 years. A 2 to 4 percent increase is anticipated this year with increases spread rather evenly across all food categories. Prices of most other goods and services in recent years have been going up a bit faster than food prices.

* The slowdown in the general rate of inflation has held down costs of processing and distributing foods. Although small, these cost increases have contributed the most to moderate increases in retail food prices. Fish and imported foods have made only a small contribution to higher food prices. The farm value has actually declined in 2 out of the last 3 years, substantially limiting increases in the Food-At-Home index.

* Total consumer expenditures for food have risen moderately in the 1980s, with increases in the marketing bill being tempered by little, if any, gain in the farm value in most years.

* The farm-to-retail price spread for foods originating on U.S. farms registered the largest increase in 4 years. Large meat supplies, accompanied by weak farm level livestock prices, explain much of the increase in price spreads last year. Excessive market weights of cattle and hogs, due to good weight gains from favorable weather conditions and the expectations of future price increases, caused a decline in live cattle prices. A slower than normal adjustment in retail prices occurred during the spring and summer, but spreads returned to a more normal relationship by year's end. In 1986, with slightly lower supplies of food available, particularly red meats, the farm-to-retail price spread will likely rise at a slower rate.

Percent Change in Consumer Price Index

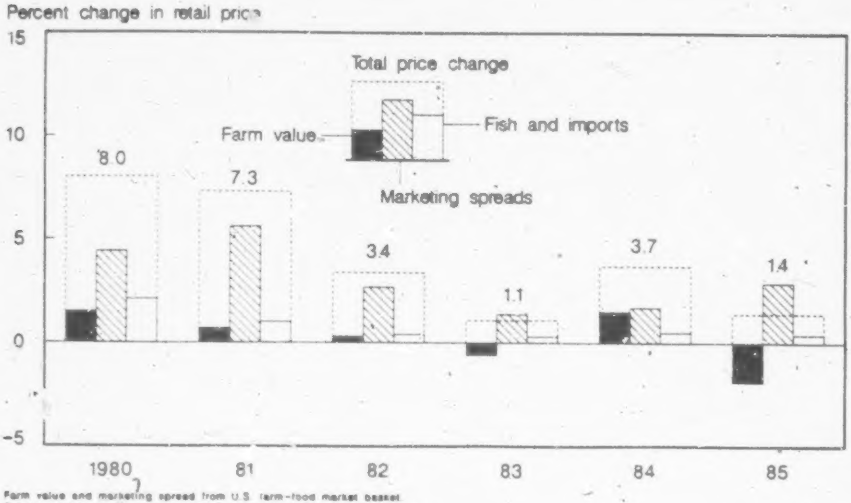


Changes in Consumer Price Index and Food Prices

Year	Housing	Medical Care	Transportation	Food 1/	All Items
			Percent		
1970	7.1	6.3	5.1	5.5	5.9
1971	4.4	6.5	5.2	3.0	4.3
1972	3.8	3.2	1.1	4.3	3.3
1973	4.4	3.9	3.3	14.5	6.2
1974	11.3	9.3	11.2	14.4	11.0
1975	10.5	12.0	9.4	8.5	9.1
1976	6.1	9.5	9.9	3.1	5.8
1977	6.8	9.6	7.1	6.3	6.5
1978	8.7	8.4	4.7	10.0	7.7
1979	12.2	9.3	14.3	10.9	11.3
1980	15.7	10.9	17.8	8.6	13.5
1981	11.5	10.8	12.1	7.9	10.4
1982	7.2	11.6	4.1	4.0	6.1
1983	2.7	8.7	2.4	2.1	3.2
1984	4.1	6.2	4.5	3.8	4.3
1985	4.0	6.2	2.6	2.3	3.6

1/ Excludes alcoholic beverages.

Contributors to Changes in Food Prices

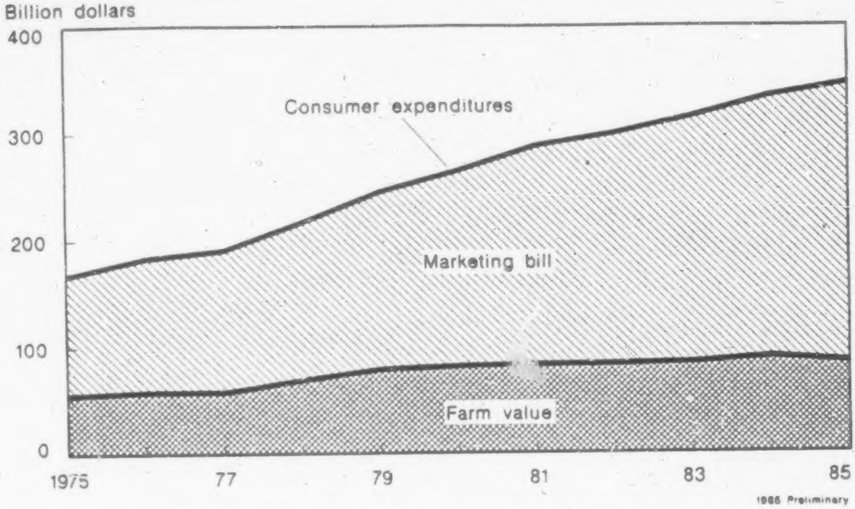


Farm value and marketing spread from U.S. farm-food market basket.
Total price change from food-at-home index, Bureau of Labor Statistics.

Contributors to Changes in Food-at-Home Price Index

Item	1970	1975	1977	1979	1980	1981	1982	1983	1984	1985
					Contribution					
Farm value	-0.2	1.3	0.1	3.3	1.5	0.7	0.3	-0.6	1.5	-1.9
Fish and imports	1.3	1.9	4.1	1.2	2.1	1.0	0.4	0.3	0.5	0.4
Marketing spread	4.0	5.1	1.8	6.3	4.4	5.6	2.7	1.4	1.7	2.9
					Percent change					
Total	5.1	8.3	6.0	10.8	8.0	7.3	3.4	1.1	3.7	1.4

Marketing Bill, Farm Value, and Consumer Expenditures for Farm Foods



Marketing Bill, Farm Value and Consumer Expenditures for Farm Foods

Item	1970	1980	1981	1982	1983	1984	1985
	Billion dollars						
Consumer expenditures	167.0	264.4	287.7	298.9	315.0	334.6	346.3
Farm value	55.6	81.7	83.2	83.7	84.9	90.0	85.1
Marketing bill	111.4	182.7	204.5	215.2	230.1	244.6	261.2

THURSDAY, MAY 1, 1986.

BRIEFING BY SECRETARY OF AGRICULTURE

WITNESSES

RICHARD E. LYNG, SECRETARY OF AGRICULTURE

ROBERT L. THOMPSON, ASSISTANT SECRETARY FOR ECONOMICS

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. The committee will come to order.

Mr. Secretary, we are glad to see you today. We have concluded our hearings except for your appearance. We realize that you were not in your present position when the budget was sent up and for that reason, we haven't been in a hurry to ask you to come here. We have concluded our hearings and apparently of all the departments in government the largest reductions have been proposed for Agriculture, by the Office of Budget and Management. As you point out in your statement, about $9 billion is recommended to be cut from Agriculture. Agriculture is our biggest industry, the cheapest and most economical source of food and fiber and the biggest employer. Agriculture our chief dollar earner in world trade. Yet we are all familiar with the fact that it is in a desperate situation.

Our hearings disclose that we sell guns, ammunition and weapons of war to 125 countries where the people need food and clothing. Not only that, but none of this reduction in Agriculture is going to reduce the deficit or the debt, it is going to increase the carryover funds for foreign aid and military spending. The budget requests that we increase unspent funds for the military from $266 billion at the end of this year to $299 billion at the end of next year.

We see suicides reported in the newspapers. Millions of acres of farm land will stand idle this year. Farmers Home Administration is dribbling money out when it is the first of May and farmers should have their crops planted. I personally have reported to them that my state needs $19 or $20 million. They in turn gave them $3. It is 60 days late in my country to start farming. I don't know how to explain that.

I have all the lists which you have about the budget before us, which has the conservation program—looking after your own country—you are proposing to cut it $190 million. Watershed and flood prevention eliminated. Great Plains program, water bank, forest industry incentives, and resource conservation and development, all are eliminated.

Mr. Secretary, whatever our situation at home and abroad, we had better look after our own country because that is what all the rest depends on. You had better keep public support. Tell our folks in the military that. I tell our folks in foreign aid. All these cuts we have been making, none of it has gone to reduce the deficit or the debt.

Now, we realize your fine record back through the years. As one of our friends, we have looked to you when you were approved for this position to help us straighten it out. I have had groups before our committee as big as you have here today and I asked them to hold up their hands if you support this budget. Not a hand went up. I don't call the names in the record. The Office of Management and Budget might get after them.

Not only that, but the Farmers Home Administration's new man, Mr. Clark—he has come up with a cash flow which is just a means of putting the farmers out of business and it is not called for by law. Millions of acres are being idled. The American farmer was asked not to export in 1974, 1975, and 1980, to punish Russia. We have had an embargo on exporting what the farmer produced. If you bought meat and poultry and other commodities from American farmers, and the government wouldn't let you deliver it to Russia, the government paid you, but the fellow who produced it didn't get anything—I pointed that out to the President on two occasions with leaders from the Congress present.

Not only that, but since 1980, we have refused—our government has refused—to use the Commodity Credit Corporation—a $25 billion corporation—set up for the specific purpose of supporting prices and to export. I keep hearing about subsidy. When you have something that we sell in world trade for what it brings so that the proceeds would enable the Commodity Credit Corporation to operate, it is a discount not a subsidy.

Mr. Butz, when he was Secretary of Agriculture, did not use the Commodity Credit Corporation, but he paid commissions to the big international firms and got them to help sell. It may, but it shouldn't surprise you, but it surprised many people, you can sell things easier than you can give them away. If you give it away it upsets the trade, but if you give them a bargain, the trade will help you get it into their country. Of course it will go through the normal channels. This is an old story, as you know, with me.

Mr. Benson, when he was Secretary, we had the same experience. Congress insisted he sell and he finally sold over $12 billion in 15 months. An old story.

And we are glad to have you here to help straighten out what has happened before you came in.

I would like to have your statement for the record. I wish you would touch on the points I raise and I will say for the group that is here we realize that you are committed to follow the President's budget recommendations unless specifically asked to go beyond that. So we are going to want to know what your personal views are after you get through with your official statement.

We are glad to have you here. As I say, along with your other friends, we have great hopes that you can help us straighten out some of these things.

STATEMENT OF THE SECRETARY

Secretary LYNG. Thank you, Mr. Chairman, and members of the committee. It is a privilege to appear before the committee as the Secretary of Agriculture to discuss the programs of the U.S. Department of Agriculture and our FY 1987 budget. At the outset, I want you to know that I look forward to renewing the long and excellent relationship I have had with this committee. We face many problems which we can resolve only if we work together.

Obviously, one of the most immediate problems is the budget. Mr. Chairman, I know that you are concerned about many of the proposals in the 1987 budget. You know as well as I do how difficult it is to put together a budget when the focus is on how to reduce federal spending. In this environment, it becomes necessary to set priorities and decide which programs need to be maintained because of a clear federal role and which programs should be cut or shifted to other funding sources. Hard choices have to be made.

The department has looked at the budget from this perspective as well as the requirements laid out by the 1985 farm bill. While the President's budget reduces overall USDA programs by about $9 billion from the FY 1986 level, we will still spend over $44 billion in 1987. The budget maintains a high priority emphasis on a range of programs including research, farm price support, farm credit, food assistance, conservation, marketing, and other important programs.

We believe adoption of the President's budget is the best way to achieve the savings necessary to reach the fiscal year 1987 budget deficit target required by the Gramm-Rudman legislation. Clearly, the high priority programs of the department will fare much better under the President's budget than they would if another sequester order is issued for fiscal year 1987. USDA spending represents about five percent of total federal spending and nine percent of non-defense federal spending, but accounts for almost 30 percent of federal non-defense outlays which are subject to the sequester process. Thus, those who support USDA programs have a particular interest in avoiding another sequester. From this standpoint the President's budget is good for agriculture.

Also, agriculture stands to benefit greatly if the budget deficit is reduced. Lower interest rates for farmers could result because of a lower deficit and United States imports could become more competitive if the value of the dollar continues to drop.

I would like to comment briefly on some key USDA programs and how they will be affected by the fiscal year 1987 budget.

FARM COMMODITY PROGRAMS

Funds have been included in the budget to carry out the farm commodity programs authorized by the 1985 farm bill. The 1986 crop programs have been announced and sign up ends April 25. In connection with these programs, we are making advanced deficiency payments to farmers which should help to reduce operating credit needs and improve cash flow. We have also implemented the new dairy termination program as required by the new legislation, and we are taking a number of actions related to its implementation, including the purchase of 400 million pounds of red meat in support of the fed beef market, the pork market, the hog market.

Given the high level of projected Commodity Credit Corporation outlays for price support programs, the availability of sufficient borrowing authority for Commodity Credit Corporation is going to be a continuing problem. We appreciate the efforts of this committee in replenishing Commodity Credit Corporation funds in recent months. However, we are still going to need additional funds in the very near future to keep Commodity Credit Corporation operating for the rest of the year. Given the great uncertainty in Commodity Credit Corporation's ability to finance its programs over the long term, we need to find a permanent solution to this funding problem.

Export credit programs will continue to be carried out in the future, but it is expected that the market oriented loan rates and the value of the dollar will have a bigger impact on exports than the credit program.

Foreign food aid requirements will remain largely unpredictable, but they should be at a more normal level for 1987 since the food situation in Africa has improved. New authorities in the farm bill may allow us to better address food needs in developing countries.

Farm operating credit will continue to be highly important to farmers during the planting season and funding for operating credit will need to be maintained. The advanced deficiency payments we are making and Farmers Home Administration's use of its servicing actions, including reschedulings, deferrals and subordinations, also will be helpful in this regard. For this year's planting season, we have made an additional $700 million available for direct farm operating loans through a transfer of funds from other Farmers Home Administration programs, and we will have about $1 billion in guaranteed operating loan authority for use.

Also, a new policy of forbearance in meeting banking regulations has been established for agricultural banks. The new policy encourages banks to restructure problem loans and to participate in Farmers Home Administration's interest buydown programs.

Soil conservation is of long term importance to the nation and funding of the Conservation Reserve Program is especially important because it aims to achieve soil savings on the nation's most erosion prone land. In addition, it may also achieve savings in the price support area as this land is converted from crop production. This program has received strong support in the Congress and we are hopeful that the farmers will decide to participate in the program. We have already accepted bids on 838,000 acres, and a second signup is set for May 5.

Funding for domestic food assistance programs servicing low income persons has kept near current levels because of the vulnerable groups involved. Reductions are proposed in programs subsidizing the non-needy.

The federal commitment to agricultural research remains a high priority. Research will be needed over the next several years to develop new uses and new markets for farm products, strengthen farmer profitability and increase our competitiveness in world markets.

REDUCING THE BUDGET

However, to do these things and still live within a total outlay figure of $44.6 billion means that many other programs must be terminated or reduced. These include Farmers Home Administration housing and rural development programs, the ACP and watershed programs. There are also proposals for new or increased user fees in many areas and for the elimination of subsidies in programs as diverse as crop insurance and school lunches for non-needy children. Every one of these programs has its supporters, and so the debate will be intense over the next few months. In the end, we simply must set a budget and live within it.

I think these points cover the main areas of the budget. USDA will have to reduce its outlays during fiscal year 1987 if the budget deficit target is to be achieved, but in reducing these outlays we need to make sure essential programs and services are carried out at adequate levels.

In closing, I would like to take this opportunity to urge the Congress to give early and favorable consideration to our request for an emergency supplemental appropriation for the dairy indemnity program to assist dairy farmers facing losses from heptachlor-contaminated feed. As the committee is aware, last month I sent an emergency task force to conduct an on the spot assessment of the pesticide contamination in Arkansas, Oklahoma, and Missouri. Based on their findings, we have estimated that $6 million will be needed to cover dairy farmers claims and have requested that amount in this supplemental. Timely action by the Congress is required to minimize any further financial hardship to the dairy farmers and to reduce the public health implications associated with the heptachlor contamination.

Mr. Chairman, I would be glad to respond to any questions that you may have. I am also looking forward to working closely with you and the members of the committee so that an acceptable budget can be developed and be put into effect for fiscal year 1987.

Mr. WHITTEN. Thank you, Mr. Secretary.

Directing your attention to expediting this matter, may I point out that this committee did recommend that we meet these emergencies and the leadership of your party defeated the rule where we could not bring the supplemental up. We brought it up two different times only to have it defeated. It causes some real hardships. I am not questioning my friends on that side of the aisle, but it has thrown a stone into the water at a bad time.

The supplemental is still pending and I don't know what we will do. It has been turned down with almost a solid vote on your side. We are trying to take care of this, along with additional funds IRS with many other things.

PLIGHT OF THE AMERICAN FARMER

I would like to point out to you, I don't know how much you are supposed to say, but in view of the seriousness, I am going to say it. I was down to the White House in 1982 and I pointed out to our President, with leaders from both parties present, that we had the American farmer paying for our foreign policy. If we want to punish Russia we hold up the export of agricultural products. That is true in 1973, 1974, 1975, and 1980, and for the last five years.

You are aware—everybody isn't—that the Commodity Credit Corporation, a $25 billion corporation, was set up for the purpose of supporting fair prices for American agriculture. May I say that most of what I am talking about is basic commodities, storable commodities. On perishables we have a different thing where we buy the surplus of our own country, and create a balance between supply and demand that takes care of the situation to a great degree. But for basic commodities where the supply carries over from one year to another, we have been giving our overseas markets to our competitors to get lip service, it appears to me.

I pointed out to the President about six weeks ago, with leaders of the House and Senate present, the situation that I am trying to describe here. Not a member of Congress differed with anything I said. The President said "how about the cost?" "I said "You shouldn't be paying out of the Treasury, you should do like everybody else, pass it on to the fellow who buys it." What you have done is let the buyer buy below cost.

The situation is really serious all over the country. The lands that are being sold in my area are being sold to the big landowners. In a few years, if we keep this up, we will have the situation where somebody will run for office on the platform that we divide up the land. Every sale in the delta country is being bought by the big landowners next door. They are the only ones who have the money.

You were there when you had the PIK program. The PIK program cost us $12 billion and its charged up to agriculture when the facts are you gave away 11 percent of our production to our overseas competitors. Not only that, but you paid the cotton farmer to produce cotton to pay himself for not producing cotton. I tried for weeks to get a legal opinion out of your legal department as to the legality of the PIK program. I got a three page letter from the general counsel explaining that he thought it was all right.

May I say that the money that was made available through PIK was necessary because farmers didn't have anything else. I voted for it and our committee had to pick up the cost, because it had been promised to the farmers. There was one way they could stay in business another year. As we look at the PIK program, big operators made millions and the rest of the farmers went further in debt.

The legislative committee says our committee is trying to take over their jurisdiction. It is the opposite of that.

In the supplemental appropriation bill that they complained about, all we do is urge you to use the law which is on the books. Under that law the farmer bought and paid for this land, under today's conditions he loses his land. I point out in the record that since World War II, the farmer's share of the consumer dollar has gone down drastically because under the law industry and labor has increased their take from 49 percent to 73 percent. How can he get along when he in turn is dependent on a check from the Treasury when he should be getting it from the fellow who buys his product?

Now, what you are doing is subsidizing exports. If you ask more than it will bring you are not going to sell it. Sales receipts in turn go into the Commodity Credit Corporation for carrying out its operations.

FARM CREDIT

Right now you are telling us you need money to operate the Commodity Credit Corporation. Why, you won't sell the goods for what they will bring. There is no better way to sell anything than to lay it on the counter and say come and get it. If you make it available at competitive prices, the trade overseas will help you get it in their country, but if you give it to them, it upsets their normal markets and they resist.

The Farmers Home Administration was set up as a lender of last resort. The man in charge has set up regulations not required by law. He calls for "cash flow." You have to show that you can pay all the debts that you created during this period when you held his exports off world markets. Under the prices set by the new law he is turning borrowers down right and left. He is scaring them. You have approved less than 20 percent of the application and the 20 percent you approved you won't use the money you have got. When I say you, I am talking about the department. You have approved less than 20 percent of those that were qualified last year. I am told that 75 percent of the farmers would be in business this year if you kept the old rules. I had my staff call your state offices. They are scared to give us information.

I don't mean you, I worked with you many years, we have been close friends, we will continue to be close friends. We need your help in the position you are in now because I am describing the situation like it is.

Now, I am going to ask you at this point what would you do, if you were not bound by the budget? What would you do on these items if left up to you?

SUPPORT OF PRESIDENT'S BUDGET

Secretary LYNG. Well, Mr. Chairman, you know that I am going to support the President's budget, but I would refer back to my testimony on the impact of a sequester. If the Congress does not agree with the details of the President's budget. I would certainly urge that an effort be made to come up with some kind of budget that we could agree on. The last thing that should be allowed to happen would be to have—particularly for agriculture—would be a sequester because it would hurt the crop programs, and the Department of Agriculture much greater than almost any other part of government.

Mr. WHITTEN. Well, since I have been in Congress, I have a few regrets about things in which I played a part. I opposed Gramm-Rudman from the start. It is based on assumptions and projections and sometimes hallucinations. I was on the conference committee that worked out Gramm-Rudman. It is based on assumptions. You can change assumptions and come out with any answer you want to. It won't work.

Let me say again, the Committee on Appropriations has historically stayed below the budget. I am one of those that believes whatever party you belong to, whoever you are, we all need to cooperate. Our government is made up of three branches, executive, as we all know, and the legislative and judiciary.

I feel that we should support our President in every way we can. Out of 74 appropriations bills with my name on them since I became chairman, he signed 69. The other five, we overrode one veto and the other four we worked out. But may I say again, when you cut out the money to take care of your own country it is very shortsighted. That is what this budget does. There is no place in any other department or agency that has received the treatment that farmers and rural people have in this budget.

I realize the problem you have. But I have the problem of pointing out where the hitch is and doing what I can to correct it. I will tell you two things: in 1982 and six week ago, I told the President what I am telling you. Not a colleague of mine questioned a word that was said.

Recently I had a lady here from my area who said, Jamie, looks to me like everything is fine and folks are getting along all right.

I said yes, you can borrow $10,000 and put on a spending spree. When you get through you are still going to owe the note. When we get through with this activity, we are going to wish it was productivity. The note for the extra trillion dollars for the last five years has to be paid. It is there and it is true they are creating the appearance of activity, but the note will still be there when this passes. I am going to expect you, as you always have, to cooperate as best you can, because this situation is very serious.

May I ask you one question. Have you appealed to the Office of Management and Budget for any of these things after you came in, including this amount?

Secretary Lyng. I have discussed them with the appropriate people at Office of Management and Budget, yes.

CCC BORROWING AUTHORITY

Mr. Whitten. Mr. Secretary, the 1987 budget once again proposes that CCC be granted permanent indefinite borrowing authority to be reimbursed for realized losses directly from the Treasury as needed, rather than through appropriations. As you know, this proposal was soundly rejected last year because Congress refused to abdicate its oversight responsibility for that level of spending. Has the Administration given consideration to requesting an increase in the ceiling of outstanding CCC indebtedness? This would seem to be the most expedient means of accomplishing the Administration's objective of insuring CCC will be able to carry out its responsibilities free of interruptions that have occurred over the past few years.

Secretary Lyng. This has been considered within the Department. Also, in testimony before the Senate Appropriations Subcommittee at the FY 1986 CCC suplemental hearing in February, we agreed with that Committee that raising CCC's borrowing authority to $40 billion would be part of an overall approach towards solving CCC's chronic funding difficulties. However, we believe that the permanent indefinite authority is also needed.

We believe both financing methods are needed because a borrowing authority increase alone may well prove to be only a temporary solution, given the relatively high level of CCC outlays projected for FY 1987 and FY 1988. This would be especially true if an increase of $15 billion in the outstanding CCC debt limitation were perceived as an approximate substitute for the $16.8 billion in estimated CCC reimbursements included in the FY 1987 Budget. Without appropriations in FY 1987, whether permanent indefinite or specific amounts directly appropriated by Congress, no net repayment of existing CCC outstanding Treasury borrowings could occur, since the increased borrowing authority would virtually all have to be used to finance FY 1987 outlay requirements. However, FY 1987 CCC appropriations, plus a borrowing authority ceiling increase, would accomplish the objective you outlined, Mr. Chairman.

Mr. WHITTEN. What efforts have been made to raise the $25 billion ceiling?

Secretary LYNG. Since the Administration continues to support the approval of permanent indefinite authority for CCC to be reimbursed directly from the Treasury, no formal efforts have previously been made to raise the current $25 billion ceiling. However, I believe the Administration would support a borrowing authority ceiling increase as part of an overall solution to the recurring CCC funding crises.

PROPOSED LEGISLATION

Mr. WHITTEN. Mr. Secretary, the 1987 budget assumes savings of over $1 billion as a result of proposed legislation, yet none of the legislation has been submitted to Congress to our knowledge. Please provide for the record a table which will show the proposed legislation in the fiscal year 1987 budget, similar to the table which appeared on pages 97 and following in last year's hearing record.

Secretary LYNG. I would be happy to supply that for the record.

[The information follows:]

FY 1987
Legislation - Budget Authority
(Dollars in Thousands)

Legislative Action - Included in Estimate Before This Committee	Savings
FNS - Food Stamp Program	-$313,336
FNS - Child Nutrition Programs	-775,281
	-1,088,617
Proposed for Later Transmittal Under Proposed Legislation	
FGIS - Salaries and Expenses	-6,979
APHIS - Salaries and Expenses	-20,856
FSIS - Salaries and Expenses	-365,841
ACS - Salaries and Expenses	-3,698
AMS - Marketing Services	-32,983
PSA - Salaries and Expenses	-9,093
FCIC - Administrative and Operating Expenses	-114,859
FCIC Fund	-20,696
REA - Salaries and Expenses	-21,750
Loan Purchases (FFB)	-75,900
FmHA - Agricultural Credit Insurance Fund	-536,875
Agricultural Credit Insurance Fund (FFB)	-165,705
CCC - Commodity Credit Corporation - Authority to Borrow, Current	-139,786
TOTAL	-1,515,021
GRAND TOTAL	-$2,603,638

SUMMARY OF USDA LEGISLATIVE PROPOSALS

FY 1987 BUDGET

Agency	Title	Description	Savings (Million of Dollars)
FNS	To amend the Child Nutrition Act of 1966 and the School Lunch Act	Eliminate cash and commodity support for paid subsidies effective July 1, 1986, in the School Lunch and School Breakfast Programs, and in the Child Care Food Program effective October 1, 1985. In addition a means test for family day care home participants would reestalish eligibility requirements under which only needy children would qualify to receive subsidized meals ($721.7 million in Savings in 1987). Eliminate special per meal administrative reimbursement rates and modify the general per meal reimbursement rates in the Summer Food Service Program. This proposal would make Summer Food Service Program rates comparable to those for free meals in the School Lunch, School Breakfast, and Child Care Food Programs ($21.0 million in savings for 1987). Eliminate the Nutrition Education and Training (NET) Program ($5 million in savings). Eliminate the special fund for State Child Care Food Program audits. The Uniform Single Audit Act of 1984 requires organization-wide audits for organizations receiving Federal funds, making obsolete special funding provisions, originally set up for States to conduct program specific audits ($7.9 million in savings in 1987). Offset, for 1987 only, the State Administrative Expenses (SAE) by the amount of carryover. States are allowed under current law to carryover unspent SAE funds from the year appropriated into the following year. A recent study has shown that SAE carryover has grown to about 40 percent of appropriated funds ($19.6 million in savings in 1987).	$775.2

Agency	Title	Description	Savings (Million of Dollars)
FNS (Cont'd)	To amend the Food Stamp Act 1/ of 1977	Hold States liable for the full dollar value of erroneously issued benefits above a tolerance level of five percent. Under current law, the States are held liable for only a fraction of their erroneous issuances above five percent. Implementation of this proposal would encourage the States to invest in error prevention (savings of $11 million in 1987).	$313.3
		Make the rules regarding the treatment of cash utility assistance consistent with assistance provided through vouchers. Under current law, if a household's utility expenses are paid by a third party (vendor payment), only that portion of the household's utility expense that it pays itself can be considered as a household utility expense in calculating the excess shelter deduction. However, if a household receives cash assistance intended to help the household pay its utility expense, the entire utility expense, whether paid from the cash assistance received or the household's own resources, may be counted in the calculation of the excess shelter deduction. This proposal would prohibit counting expenses paid through cash assistance from being counted in calculating a household's excess shelter deduction. The Food Stamp Act prohibits counting energy assistance as income to the household. Allowing households to count all of its utility expenses, even those reimbursed through either a cash or a third party (vendor payment), as a utility expense is a "double benefit" to households ($68 million in savings in 1987).	
		Count stipends as well as the earnings of Job Training Partnership Act (JTPA) participants as income. The Food Security Act of 1985 (Public Law 99-198) requires that earnings provided under JTPA be counted as income ($10 million in savings in 1987).	

Agency	Title	Description	Savings (Million of Dollars)
FNS (Cont'd)		Amend the State administrative funding formula. The proposal would retain the current 50 percent match provision, but would make the following changes:	
		. States with average per recipient administrative expenses in excess of 175 percent of the national average would receive 25 percent Federal match for that portion of expenses in excess of 175 percent.	
		. Special matches for anti-fraud and automated data processing activities would be gradually reduced from the current 75/25 Federal/State basis to a 50/50 basis.	
		($6.3 million in savings in 1987).	
		Propose the repeal, as of May 1, 1986, of several provisions enacted under the Food Security Act of 1985 which expand program eligibility. The following provisions are being proposed for repeal:	
		. Increase in the assets limit. On May 1, the limit on assets for mos households will be raised from $1,500 to $2,000.	
		. Increase in the earnings deduction. The earned income deduction, currently set at 18 percent, will rise to 20 percent on May 1.	
		. Separation of the dependent care/excess shelter deduction into two deductions.	
		. Increase the maximum limit of both the dependent care deduction and the excess shelter deduction.	

Agency	Title	Description	Savings (Million of Dollars)
FNS (Cont'd)		Repealing the above provisions will save $69 million in 1986, $189 million in 1987, and $230 million in 1988.	
		Require that States implement a universal work requirement for employable applicants and recipients. The work requirement can consist of job search, Community Work Experience Program (CWEP), or other types of employment and training activities. All employable applicants and recipients would be required to participate in at least one of the employment or training programs. This proposal is expected to result in net program savings of $66 million because some applicants or recipients will either find paid employment through employment and training programs or be determined ineligible because they choose not to comply with the work requirements.	
		The proposed program changes noted above will be partially offset by an increase of $37 million in 1987 due to proposed legislation affecting the Aid to Families with Dependent Children (AFDC) program.	
FGIS	User fees for standardization and compliance activities	Require user fee funding for standardization and compliance activities provided to the grain marketing industry by the Federal Grain Inspection Service.	7.0
APHIS	User fees for several APHIS activities	Legislation to charge user fees for several activities will be proposed in 1987. These activities include: 1) the issuing of phytosanitary certificates for export plants; 2) all work pertaining to the import and export of animals and animal products; 3) the testing and monitoring of veterinary biologics; and 4) certain laboratory testing performed for Federal, State, and private agencies and universities. ($20.9 million in savings in 1987).	20.9

Agency	Title	Description	Savings (Million of Dollars)
FSIS	Across-the-board user fees	Legislative changes which will permit collection of user fees to fund FSIS programs are included in the 1987 budget proposal. The request also reflects a $2 million savings in 1987 and increasing savings in future years from proposed legislation to permit increased flexibility in processing inspection. If fully passed through to consumers, the user fees would add less than a penny per pound to the prices of meat and poultry products, well within the normal price variation among competitive retailers.	$363.8
	Continuous Inspection	Legislation to amend the continuous inspection requirements. Compliance-based processing inspection would grant the Secretary discretion to schedule inspection at processing plants bassed on such criteria as the nature of the product produced and the plants' compliance history.	2.0
ACS	User fees for ACS activities	This proposal would initiate user fees for all activities.	3.7
AMS	User fees for AMS activities	Legislation is proposed for collection of user fees for the following programs. -- Market news activities, which include collection, analysis and dissemination of commodity price and availability information ($15.0 million). -- Market protection and promotion activities ($.7 million).	32.8

Agency	Title	Description	Savings (Million of Dollars)
AMS (Cont'd)		-- Egg products inspection which provides continuous in-plant inspection to manufacturers of liquid, frozen, or dried egg products ($9.4 million). Legislation is proposed to eliminate continuous in-plant-egg-processing operations except for egg breaking operations and reduce shell egg surveillance from four times a year to once annually and authorize the Secretary to withdrawn inspection services for non-compliance ($9.4 million in savings). -- Standardization, which involves development of quality standards used for commodity grading ($3.3 million). -- Marketing agreements and orders, which help stabilize market prices and supply for certain commodities ($6 million). -- These savings will be partially offset by start-up costs (+$1.6 million). Further savings totaling $3.6 million result from the elimination of the Wholesale Market Development program, the Payments to States and Possessions program and the Federal Seed Act. Federal involvement in research on local marketing issues and development of wholesale markets has provided the assistance necessary to allow State and local governments to effectively respond to these problems. Elimination of the Federal See Act program would place the responsibility for seed regulation on the individual State seed programs.	

Agency	Title	Description	Savings (Million of Dollars)
P&SA	To amend the Packers and Stockyards Act	This proposal would initiate across the board user fees for the full cost of the agency's operations.	9.1
REA	Interest subsidy for REA Loans	Legislation is proposed to end interest rate subsidy to Treasury plus 1 1/8% from current rate of 5%. Also, annual fee is assessed on all REA loan borrowers to recover defaulted loan repayments on guaranteed electric loans.	75.9
	Salaries and Expenses	Legislation will be proposed to charge an upfront fee of 5 percent on direct loans which will be used to finance this activity.	21.7
FCIC	Administrative and operating Cost	This proposal will increase the producer's share of premium cost in order to phase out Federal payment of administrative expenses and premium subsidy over a five year period beginning in 1987.	135.5
FmHA	Agricultural Credit Insurance Fund	Legislation will be proposed to eliminate the legislated floor for ownership loans in order to provide the entire amount of Direct or Guaranteed Farm Credit for farm operations. While no new farm real estate loans would be made after 1986, FmHA would continue to provide farm ownership assistance to family-sized farmers under the authorities of the Farm Bill for the subdivision and sale of land in inventory, buy-back arrangements, and installment sales.	702.6
CCC	Reimbursement for Lossed	Legislation will be proposed to decrease the FY 1987 program level for short-term credit guarantees from $5 billion to $3 billion and to eliminate the intermediate export guarantee program. Also, it is proposed to increase the fees on the export credit guarantee program from less than 1 percent to 5 percent.	139.8

Mr. WHITTEN. What is your timetable for submitting all the legislative proposal's which have a budgetary impact during 1987?

Secretary LYNG. The proposals for the user fees for the Animal and Plant Health Inspection Service, Agricultural Cooperative Service, Food Safety and Inspection Service, Agricultural Marketing Service, and Packers and Stockyards Administration were sent up yesterday. The proposals for user fees for the Federal Grain Inspection Service standardization and compliance activities should be sent to the Hill this month. The Child Nutrition amendments were sent mid-April. The Food Stamp Program amendments are still under review. The proposals for Farmers Home Administration, Federal Crop Insurance Cooperation, and Rural Electrification Administration are still under review.

PERSONNEL

Mr. WHITTEN. You are proposing to reduce employment in the Department by over 10,000 staff years, with most of the reduction occurring in FmHA and SCS field offices. At that same time, the Department is saying it is going to do everything it can to assist farmers through the worse financial crisis since the Depression. How does one relate to the other?

Secretary LYNG. We at the Department are going to continue to do everything we can to assist farmers. We feel the employment reduction you refer to in FmHA and SCS field offices should in no way stand in the way of achieving this. While the President's budget reduces overall USDA programs, the budget maintains a high priority emphasis on a range of farm programs including research, price supports, farm credit, conservation and other important areas.

Mr. WHITTEN. Please provide for the record the increases and decreases in staff years for fiscal year 1987 in other Departments.

Secretary LYNG. I will be happy to supply that information for the record.

[The information follows:]

Table 8. FULL-TIME EQUIVALENT OF FEDERAL CIVILIAN EMPLOYMENT [1]

	Fiscal year				
	1985 actual [2]	1986 estimate	1987 estimate	1988 estimate	difference 86–87
Agriculture	106,658	108,750	98,500	96,570	−10,250
Commerce	32,790	34,440	33,830	37,643	−610
Defense—civil functions	28,681	28,548	28,348	28,348	−200
Education	4,876	4,579	4,500	4,500	−79
Energy	16,257	16,218	15,721	12,005	−497
Health and Human Services	132,501	128,483	123,636	118,674	−4,847
Housing and Urban Development	12,101	11,720	11,288	10,916	−432
Interior	72,166	72,015	70,305	69,955	−1,710
Justice	60,852	64,266	65,820	66,028	1,554
Labor	18,176	18,549	18,155	18,060	−394
State	24,788	26,088	26,937	27,122	849
Transportation	61,044	60,938	58,981	57,164	−1,957
Treasury	127,442	126,467	129,587	132,345	3,120
Environmental Protection Agency	12,459	13,361	13,161	13,090	−200
National Aeronautics and Space Administration	21,991	21,800	21,800	21,800	....
Veterans Administration	221,292	221,051	212,066	204,662	−8,985
Other:					
Agency for International Development	4,969	4,875	4,825	4,700	−50
General Services Administration	25,254	25,406	22,635	22,297	−2,771
Nuclear Regulatory Commission	3,498	3,491	3,369	3,369	−122
Office of Personnel Management	5,666	5,510	5,419	5,029	−91
Panama Canal Commission	8,215	8,300	8,300	8,300	....
Small Business Administration	4,177	4,219	707	0	−3,512
Tennessee Valley Authority	31,098	31,000	31,000	31,000	....
United States Information Agency	8,572	9,120	9,280	9,369	160
Miscellaneous	39,582	41,430	40,822	40,552	−608
Estimated nondefense lapse	....	−8,180	....	....	8,180
Civilian agency employment	**1,085,105**	**1,082,444**	**1,058,992**	**1,043,498**	**−23,452**
Defense—military functions [3]	1,036,870	1,034,375	1,037,113	1,037,356	2,738
Subtotal	2,121,975	2,116,819	2,096,105	2,080,854	−20,714
Postal Service Employment [4]	692,748	717,694	736,852	764,852	19,158
Total, Executive Branch	2,814,723	2,834,513	2,832,957	2,845,706	−1,556

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[1] Excludes developmental positions under the Worker-Trainee Opportunity Program (WTOP) as well as certain statutory exemptions.

[2] Data are estimated for portions of Defense-civil functions as well as for the Federal Reserve System, Board of Governors and the International Trade Commission.

[3] Section 904 of the 1982 Defense Authorization Act (Public Law 97–86) exempts the Department of Defense from full-time equivalent employment controls. Data shown are estimated.

[4] Includes the Postal Rate Commission.

Mr. WHITTEN. What is included in the budget by agency for termination costs of employees you plan to terminate in fiscal year 1987?

Secretary LYNG. The Soil Conservation Service is the only agency that has termination costs for personnel reduction proposed in the 1987 Budget. I will be glad to provide a table for the record showing these costs.

[The information follows:]

SOIL CONSERVATION SERVICE
TERMINATION AND PHASE-DOWN COSTS - FY 1987
(Thousands of dollars)

ACCOUNT/ITEM	3 to 6 Months Salaries and Support Costs for Terminating Employees	Lump sum Payments Voluntary Resign. /Retire	TERMINATIONS				
			Lump Sum Leave	Severance Pay	Administrative Costs 1/	Special Costs 2/	Total
CONSERVATION OPERATIONS:							
1. Technical Assistance	--	--	--	--	--	--	--
2. Inventory and monitoring	$3,693	$177	$850	$3,929	$907	$133	$9,689
3. Soil Surveys	--	--	--	--	--	--	--
4. Snow survey and water forecasting	--	--	--	--	--	--	--
5. Plant materials centers	--	--	--	--	--	--	--
6. Resource appraisal & prog. devel.	461	26	122	565	68	483	1,725
Total, Conservation Operations	4,154	203	972	4,494	975	616	11,414
RIVER BASIN SURVEYS & INVESTIGATIONS	3,635	170	817	3,777	739	334	9,472
WATERSHED PLANNING	1,720	131	633	1,406	424	2,166	6,480
WATERSHED AND FLOOD PREV. OPERS.:							
1. Flood Prevention Operations	3,160	242	865	1,922	647	5,564	12,400
2. Emergency	696	53	256	569	96	(564)	1,106
3. Small Watersheds	15,516	1,186	5,707	12,682	2,258	16,923	54,272
Total, W&FPO	19,372	1,481	6,828	15,173	3,001	21,923	67,778
GREAT PLAINS CONSERVATION PROGRAM	-0-	-0-	-0-	-0-	-0-	-0-	-0-
RESOURCE CONSERVATION & DEVELOPMENT	4,189	185	888	4,107	760	1,271	11,400
TOTAL	33,070	2,170	10,138	28,957	5,899	26,310	106,544

1/ Includes such items as rent, utilities printing and reproduction, and transfer of material to the National Archives.

2/ Includes contract modifications in GPCP; termination costs for cooperative agreements, leases and contracts.

Mr. WHITTEN. Since you are going to reduce the budget by over $9 billion and employment by over 10,000 staff years, how much of the reduction will occur in Offices of Congressional Affairs and Offices of Public Information?

Secretary LYNG. Since the Offices of Congressional Affairs and Offices of Public Information are so small, reductions would be slight, if any.

Mr. WHITTEN. What reduction will be applied to Departmental Administration and other support functions?

Secretary LYNG. For Departmental Administration, the reduction would be $155,000 and 68 staff years. The Working Capital Fund is increased by aproximately $8.2 million, primarily for the National Finance Center and some additional ADP services.

AGRICULTURAL CREDIT

Mr. WHITTEN. The fiscal year 1987 budget summary states the Department will continue to place emphasis on farm credit assistance and this will be accomplished through increased use of guaranteed operating credit. Yet, as of mid-April only one-third of the guaranteed operating loans have been obligated. Why is this program not being accepted by the farm credit industry?

Secretary LYNG. Guaranteed operating loan obligations to date are well ahead of obligations this time last year. Clearly, this is an indication of more active participation on the part of the private sector to finance the needs of farmers for operating credit. With the interest rate buy-down program in place, expansion of the guaranteed loan program is expected in the remainder of fiscal year 1986 and in the future.

Mr. WHITTEN. What is the average interest rate on the loans guaranteed to date?

Secretary LYNG. FmHA does not monitor guaranteed farm loan rates on a national basis. However, guarantee rates may not exceed the rates for the average farm borrower plus one percent. The average interest rate being charged farm borrowers by commercial lenders for 1986 operating type loans is 12.25 percent. The average interest rate charged by the Production Credit Association is 12 percent.

Mr. WHITTEN. How does this compare to the interest rate on direct loans?

Secretary LYNG. Interest rates for direct operating loans were reduced on May 1, 1986 from 9.5 percent to 8.6 percent for regular loans, and from 6.5 percent to 5.6 percent for limited resource rates.

Mr. WHITTEN. Is a loan origination fee being assessed on guaranteed loans?

Secretary LYNG. FmHA presently charges a guarantee fee of one percent of the loan principal or line of credit ceiling amount multiplied by the percentage guaranteed. This fee is paid one time only at the time the guarantee is issued. The fee is non-refundable, and is paid by the lender, but may be passed on to the borrower.

Mr. WHITTEN. The 1985 Farm Bill authorized an interest buy-down program to assist the transition from direct to guaranteed

Farmers Home loans. Has this program been implemented, and what has been the participation in this program to date?

Secretary LYNG. Regulations for implementing the buy-down program were published in the Federal Register on February 25, 1986. As of April 15, 1986, 66 requests were approved and 255 applications were pending.

Mr. WHITTEN. Why has the program not been more successful in facilitating more use of the guaranteed loan program?

Secretary LYNG. More time is needed to see if the buy-down program will work. Of course, some lenders are reluctant to reduce interest rates or forgive indebtedness. Additionally, in some cases the lender is able to realize a greater recovery from immediate liquidation rather than continuing with a weak borrower at reduced rates. Finally, many lenders have already reduced interest rates and in some situations charged-off a portion of the principal indebtedness, and they do not feel justified in providing further relief.

Mr. WHITTEN. How many of the borrowers participating in the program are new Farmers Home Administration clients?

Secretary LYNG. Presently, FmHA is not tracking this information.

Mr. WHITTEN. Last fall, Farmers Home changed its policy on new operating credit from requiring borrowers to show repayment ability only on new loans to showing repayment ability on all outstanding indebtedness. How many borrowers have been denied credit to date because of this policy change?

Secretary LYNG. The data FmHA has collected indicates that approximately 40 percent of the applicants who received loans in 1984 and 1985 were unable to show a positive cash flow for their farming operations.

Mr. WHITTEN. What regions of the country have been most affected by this policy change?

Secretary LYNG. Primarily the south, southeast and midwest, simply because those are the regions with the highest number of FmHA farm borrowers.

Mr. WHITTEN. Please provide for the record, a general discussion of the steps that Farmers Home takes to determine whether a farm borrower can meet the new requirements, beginning with the receipt of the loan application.

Secretary LYNG. I will provide that information for the record.

[The information follows:]

When an application for FmHA assistance is received, the first step in the process is eligibility. There have been no changes in the basic eligibility requirements for FmHA farm loan assistance. The policy change was made in the administrative decision process when approving or disapproving a loan. The borrower and the FmHA County Supervisor (or assistant supervisor) develop a Farm and Home Plan (cash flow projection for the year) based upon the borrower's actual history of production, income and expenses. All servicing options available on the borrower's existing FmHA debts are considered when the plan is developed. If the plan indicates that the borrower cannot repay the proposed loan, all expenses, and all other debt installments due, the loan will not be approved.

Mr. WHITTEN. How many present Farmers Home borrowers would you estimate would not be able to meet the new requirements?

Secretary LYNG. We are unable to estimate the number of existing borrowers who will not receive additional loans in 1986. To a great extent, the demand for credit has been reduced by restructuring of assets, extension of existing credit, and greater reliance on non-institutional financing arrangements. The availability of advance deficiency payments has also reduced credit demand this year.

Mr. **Whitten**. What is the present level of Farmers Home Administration foreclosures, forced liquidations, and voluntary conveyances on farm credit accounts?

Secretary **Lyng**. We will provide the requested statistics for the record.

[The information follows:]

Borrower stress statistics for first 6 months of 1986, as of March 31, 1986

Number that filed bankruptcy	2,461
Number who discontinued farming due to bankruptcy	498
Number of voluntary conveyances	375
Number with foreclosure action completed:	
1. By FmHA	34
2. By prior or junior lien holder	398

Mr. **Whitten**. Please provide for the record a table showing the present level of activity compared to 1980 through 1985.

Secretary **Lyng**. We are able to provide a table containing data for 1982 through 1985 for the record.

[The information follows:]

BORROWER STRESS STATISTICS—FISCAL YEARS 1982–85

	1982	1983	1984	1985
Number that filed bankruptcy	483	3,824	3,842	4,018
Number who discontinued farming due to bankruptcy	N/A	1,392	1,124	811
Number of voluntary conveyances	1,909	1,486	1,409	1,090
Number with foreclosure action completed:				
1. By FmHA	844	615	356	89
2. By prior or junior lien holder	N/A	742	1,066	703

Mr. **Whitten**. What is the present level of delinquencies in the various Farmers Home loan programs?

Secretary **Lyng**. We will be glad to provide deliquency data by loan program for the record.

[The information follows:]

LOANS DELINQUENT—AS OF JANUARY 1, 1986

Type of loan	Total number of loans	Number delinquent	Percent delinquent
Individual loans:			
Farm Ownership	124,232	52,061	42
Farm Ownership—NFE	1,335	591	44
OL—Excluding Youth	116,440	75,911	65
OL—Youth	1,620	919	57
Emergency	118,079	75,559	64
Economic Emergency	51,863	32,814	63
Recreation—Individual	206	91	44
Soil and Water	16,216	7,719	48
Economic Opportunity	379	360	95
Association loans:			
Irrigation and Drainage	187	38	20

LOANS DELINQUENT—AS OF JANUARY 1, 1986—Continued

Type of loan	Total number of loans	Number delinquent	Percent delinquent
Grazing	251	44	18
Recreation—Association	615	46	7
Indian Tribe land Acq.	29	7	24
Watershed Protection and Flood Prevention	259	5	2
Resource Con. and Development	145	14	10
EO—Cooperative	42	18	43

Mr. **Whitten**. How do the delinquency rates compare with those of the past 5 years?

Secretary **Lyng**. Information on delinquency rates for the past five years will be provided for the record.

[The information follows:]

PERCENT OF LOANS DELINQUENT AS OF JANUARY 1, 1981 THROUGH 1986

	1981	1982	1983	1984	1985	1986
Individual loans:						
Farm Ownership	24	35	35	39	46	42
Farm Ownership—NFE	31	42	41	42	48	44
OL—Excluding Youth	48	58	59	64	71	65
OL—Youth	40	52	45	49	56	57
Emergency	46	59	60	64	69	64
Economic Emergency	43	59	52	64	70	63
Recreation—Individual	37	48	41	39	42	44
Soil and Water	28	43	42	45	54	48
Economic Opportunity	58	73	81	88	92	95
Association loans:						
Irrigation and Drainage	12	27	14	14	19	20
Grazing	6	19	9	9	14	18
Recreation—Association	15	25	9	8	8	7
Indian Tribe land Acq.	19	70	34	38	38	24
Watershed protection and Flood Prevention	6	13	4	3	4	2
Resource Con. and Development	9	18	6	9	10	10
EO—Cooperative	44	57	43	49	40	43

Mr. **Whitten**. Please provide for the record the number and type of servicing actions taken in 1985 to assist Farmers Home farm borrowers. Please compare the 1985 actions to the past 5 years.

Secretary **Lyng**. We will provide this information for FY 1984 and 1985 for the record.

[The information follows:]

Loans Rescheduled, Consolidated or Reamortized:	
FY 1985	120,098
FY 1984	30,204
Deferral of Principal and/or Interest:	
FY 1985	4,619
FY 1984	2,840

Mr. **Whitten**. How many staff years will be required to service Farmers Home Administration farm accounts in fiscal year 1986? How does this compare to 1985?

Secretary **Lyng**. We estimate that staffing requirements for the farm programs will increase by about a third, from about 3,600 staff years in 1985, to about 4,800 staff years in 1986. We recently increased the staff-years for the Farmers Home Administration by 300 due to the increased workload. This will enable the agency to hire approximately 600 employees.

Mr. WHITTEN. How has the new cash flow requirements affected Farmers Home staff resources?

Secretary LYNG. Determining the repayment ability of our loan applicants is not a new requirement. This year, however, we are strictly adhering to an attempt to consider whether the applicant realistically has some prospect for recovery. If not, continuation is doing no good for either the agency, in terms of personnel and financial costs, or the borrower, in terms of continued loss of equity.

EXPORTS

Mr. WHITTEN. The fiscal year 1987 budget reduces the level of export guarantees assuming provisions of the Food Security Act of 1985 will reduce the price of farm commodities to levels that will be competitive in international markets. What export levels is the Administration projecting for the major farm commodities in 1986, 1987 and 1988?

Secretary LYNG. The first official export forecast for major bulk commodities such as grains, oilseeds and cotton during the 1986/87 marketing year will be released in mid-May. The initial estimate of total U.S. agricultural exports for FY 87 will not be made until the December Agricultural Outlook Conference. We expect these forecasts will turn the corner on six years of declining exports and reflect an increase in volume for most, if not all, agricultural products moving into international markets. It took six years to lose 25 percent of our customers overseas. We cannot expect to recapture 100 percent of those lost markets in the first year of competitive prices. We do expect however that exports will expand this first year of the new Farm Bill and will continue to grow in the years ahead as the U.S. regains its competitive stance in world markets.

Mr. WHITTEN. How do these levels compare with previous years?

Secretary LYNG. U.S. agriculture hit its peak export volume of 164 million tons in 1979/80. The expectation for the current year, which is still under the influence of the old farm bill, is for total sales of less than 120 million tons.

Mr. WHITTEN. If the intended effects of the new legislation are not forthcoming, what is the Administration's plan for increasing exports of farm commodities?

Secretary LYNG. We are confident that the market oriented commodity prices mandated by Congress under the new farm bill will restore the competitiveness of U.S. agricultural exports in world markets. The farm bill also contains a number of export tools. I have made clear to our people that these are to be utilized to the maximum extent possible. In the long run, however, if U.S. products are not price competitive in international markets, U.S. farmers will continue to lose customers to the competition even with full implementation of the export tools available to us.

EXPORT CREDIT PROGRAMS

Mr. WHITTEN. The Food Security Act of 1985 authorizes $5 billion annually in short-term export credit; not less than $325 million annually in cash or surplus commodities for direct export credits; and at least $500 million annually for intermediate loan guarantees. When do you expect to have these programs in place and operational?

Secretary LYNG. The $5 billion short term credit program will be a continuation of the GSM-102 Export Credit Guarantee Program, which has been operational since 1981. The targeted export assistance program is now authorized to operate at a level of $110 million in each of fiscal years 1986, 1987, and 1988, with the $325 million level to become operational in fiscal years 1988 and 1989. A number of proposals, amounting to some $27 million, have already been approved for use under the targeted export assistance program. Regulations covering the $500 million intermediate loan guarantee program will be published in the Federal Register soon, and after comments are received and evaluated, the final rule will be published. At that time, the program will become operational.

Mr. WHITTEN. Will the expanded export credit assistance program provided by the Food Security Act of 1985 place us in a position to match credit terms offered by our competitors?

Secretary LYNG. We expect that the Act's credit programs, together with its revisions in the domestic support programs, should permit us to be substantially competitive with most other exporter's current programs.

Mr. WHITTEN. To what extent do you propose to implement the expanded agricultural credit assistance program?

Secretary LYNG. We are currently preparing regulations for an Intermediate Term Guarantee Program, as well as continuing to implement the Export Enhancement Program, and our early programming efforts for the GSM-102 Program, P.L. 480 Programs, and Section 416 Program, as well as overseas dairy sales.

Mr. WHITTEN. Please provide for the record a list of our major competitors, their export corporations, and the types of export credit programs used by these countries to promote their exports.

Secretary LYNG. While it is difficult to document the numerous export credit programs employed by our competitors, a number of our competitors provide export credit guarantees and insurance in an effort to expand or maintain their agricultural export levels. These programs are mostly on a short-term basis of up to 180 days, although 2 or 3-year financing is available in some cases. Financing is provided by private or national banks at the London market rate known as LIBOR, or at domestic prime rates. Most competitor programs require a minimum cash payment ranging from 10 to 20 percent. These programs are offered by government or semi-government institutions. I will provide for the record examples of credit programs in selected countries.

[The information follows:]

Canada.—The Canadian Wheat Board provides comprehensive coverage for wheat, wheat flour, oats, barley with guarantee terms up to 3 years at Canadian prime or LIBOR interest rates. No coverage for freight is provided under this program. Country limits require Cabinet approval.

France.—The major export credit program in France, known as COFACE, covers 180-day financing terms and requires a 15 percent down payment. It covers 80 to 90 percent of the principal, but it does not cover interest. The Government of France takes all the covered risk beyond 180 days.

France also offers another program similar to the blended credit program of the Commodity Credit Corporation. It requires 20 percent down payment with terms up to 2 years. The interest rate under this program varies according to the portion financed by the Government.

The Federal Republic of Germany.—Through its authorized consortium known as HERMES, Germany grants exports guarantees for amounts due from foreign buyers to German exporters under 2 programs. These are the Guarantee which covers commerical and political risks, and the Burgschaft which is issued where the foreign buyer is a government, an administrative authority, or a corporation under public law. The Burgschaft covers the same political risks as the Guarantee and, in addition, the risk that the amount due is not paid within 6 months from the agreed date of maturity. The maximum credit period, which may be exceeded in very exceptional cases only, is 5 years after delivery. As a rule, 10 percent of the loss for political risks and 15 percent for the commercial risk under the Guarantee and for non-payment risk under a Burgschaft are borne by the exporter.

The United Kingdom.—The Export Credit Guarantee Department, known as ECGD, is a Government department which provides export credit insurance for manufacturers and merchants. By issuing guarantees to banks, it can also often help to make export finance available at favorable rates. Since 1972, it has also insured new overseas investments against political risks. ECGD is charged to remain solvent and it provides insurance and guarantees for short-term as well as extended coverage of up to 5 years. The ECGD short-term guarantee, renewable annually, covers goods sold on terms of payment not exceeding 180 days. This is an umbrella-type insurance.

ECGD normally covers only 90 percent of the debt due to the insolvency or the default of the buyer and 95 percent in the case of any other cause of loss. Extended term coverage is usually offered for engineering goods requiring a credit period of up to 5 years.

Australia.—The Export Finance and Insurance Corporation of Australia, known as EFIC, provides protection to exporters against losses arising from a range of risks not normally covered by commerical insurers. EFIC operates as a commerial undertaking and has the duty to pay its way.

Only goods which are wholly or mainly produced or manufactured in Australia are eligible for coverage. The risks which the Corporation insures under its policies of insurance relate in general to the exporter not receiving payment in Australia due to the occurrence of a variety of causes. Policyholders of the Corporation also enjoy a number of valuable supplementary services, particularly in the provision of commerical, economic and political intelligence on a global basis. There are two types of comprehensive policies offered by EFIC. These are the Comprehensive Shipment Policy, providing protection from date of shipment, and the Comprehensive Contracts Policy, providing protection from the date of the contract. Under either policy insurance is against those risks of non-payment due to buyer's insolvency related to political and economic causes blocking or delaying the transfer of payment of Australia.

CCC DIRECT LOANS

Mr. WHITTEN. Please provide for the record a list of outstanding CCC direct loans by country.

Secretary LYNG. I will provide that list for the record.

[The information follows:]

CCC Export Credit Sales Program as of December 31, 1985

Country	*Millions*
Bangladesh	$12.0
Brazil	6.2
Chile	1.9
Egypt	16.4
Iraq	12.8
Israel	13.0
Jamaica	2.1
Korea	2.1
Morocco	43.9
Peru	15.7
Philippines	.1
Poland	527.4

Country	*Millions*
Portugal	3.9
Romania	16.3
Thailand	1.1
Tunisia	15.9
Turkey	56.7
Yemen (Sana)	3.9
Yugoslavia	4.1
Zaire	15.7
Total	771.2

CCC EXPORT CREDIT GUARANTEES

Mr. **Whitten**. Please provide for the record a list of the outstanding CCC export credit guarantees by country.

Secretary **Lyng**. I will provide that information for the record.

[The information follows:]

CCC Loan Guarantees are of March 31, 1986 [1]

Country	*Millions*
Bangladesh	$50.9
Brazil	568.2
Chile	148.4
Colombia	128.5
Dominican Republic	24.0
Ecuador	170.0
Egypt	477.4
El Salvador	37.4
Guatemala	101.4
Haiti	15.5
Honduras	6.1
Hungary	62.6
Iraq	836.5
Jamaica	83.0
Jordan	25.4
Korea	458.7
Mexico	996.3
Morocco	267.3
Pakistan	73.2
Panama	.6
Peru	89.7
Portugal	604.3
Philippines	124.7
Thailand	11.7
Tunisia	51.4
Turkey	125.3
Yemen (Sana)	12.2
Yugoslavia	157.8
Total	5,708.5

[1] Reflects contingent liability under CCC Risk Assurance and Export Guarantee Programs. Does not include claims paid by CCC through March 31, 1986.

PUBLIC LAW 480

Mr. **Whitten**. Please provide for the record a list of the amounts owed us under title I of Public Law 480 by country.

Secretary **Lyng**. I will provide that for the record.

[The information follows:]

Public Law 83-480, Title I as of December 31, 1985 [1]

Country	*Millions*
Afghanistan	$23.0
Bangladesh	852.1

Country	*Millions*
Bolivia	95.5
Brazil	52.6
Cambodia	210.0
Chile	60.3
China, Taiwan	(1)
Colombia	12.8
Congo	1.8
Costa Rica	88.3
Dominican Republic	167.0
E.A.C.S.O.	0.4
Ecuador	16.6
Egypt	2,078.8
El Salvador	182.7
Ethiopia	2.3
Ghana	70.1
Guatemala	25.3
Guinea	75.8
Guyana	6.0
Haiti	100.1
Honduras	54.0
Iceland	0.6
India	563.6
Indonesia	1,115.7
Iran	27.0
Israel	106.2
Ivory Coast	0.4
Jamaica	151.4
Japan (Ryukyus I.)	0.1
Jordan	30.9
Kenya	70.4
Korea	722.7
Lebanon	12.8
Liberia	74.6
Madagascar	37.9
Malawi	2.1
Maldives	1.5
Mauritius	12.8
Morocco	270.1
Mozambique	34.4
Nicaragua	17.5
Pakistan	860.1
Paraguay	3.0
Peru	162.3
Philippines	101.5
Poland	47.3
Portugal	134.1
Senegal	19.4
Sierra Leone	20.5
Somalia	120.3
Sri Lanka	295.8
Sudan	259.4
Syria	54.1
Tanzania	48.7
Thailand	11.8
Tunisia	105.2
Turkey	57.8
Uganda	0.2
Uruguay	8.7
Viet Nam	44.1
Yemen (Sana)	15.0
Zaire	173.1
Zambia	82.9
Zimbabwe	7.8
Total	$10,061.3

[1] Less than $50.000.

CONSERVATION RESERVE PROGRAM

Mr. WHITTEN. The 1987 budget proposes to terminate several conservation programs, assuming the provisions of the new conservation program will be sufficient to address the critical erosion problems. The law now prohibits that. Enrollment in the initial phase of the new program was lower than anticipated. Will the new program reach the levels anticipated in the legislation?

Secretary LYNG. Farmers bid 4.8 million acres in the Conservation Reserve Program which was close to the goal of 5 million acres for 1986. Unfortunately, we were not able to accept the acres needed because of a high number of unreasonably high bids. We still hope to reach the target of 5 million acres for 1986.

CONSERVATION RESERVE PROGRAM

Mr. WHITTEN. Has the Department determined why the initial enrollment in the conservation reserve program was far less than expected?

Secretary LYNG. In many cases farmers already had a crop planted for harvest in 1986 when the Conservation Reserve Program was announced or had made plans and purchases to produce a crop in 1986. Also, at the same time signup was being held for the Conservation Reserve Program, farmers were giving consideration to the annual commodity programs and Dairy Termination Program sign-ups. This may have affected their giving adequate consideration to the benefits of the Conservation Reserve.

Mr. WHITTEN. What steps has the Department taken to insure the Conservation Reserve Program will address those lands identified as either eroding or having potential to erode at a rate twice the tolerable soil loss level?

Secretary LYNG. We plan to maintain the present erodibility criteria until sufficient eligible acreage eroding at three times the soil loss tolerance has been placed under a Conservation Reserve Program contract.

Mr. WHITTEN. Some of the most critical erosion problems are on lands that will not qualify for the Conservation Reserve Program. How will the Department address these problems?

Secretary LYNG. The Department of Agriculture has determined that the highest priority should be to treat cropland erosion. The Agricultural Conservation Program is proposed for termination on the basis that financial assistance should be concentrated on the longer term conversion of highly erodible cropland that meets strict criteria for entry into the Conservation Reserve Program. Other areas of erosion and other conservation concerns would not be addressed by USDA with cost-share assistance. Technical assistance will continue to be available to farmers whose lands will not qualify for the Conservation Reserve Program. Farmers will also be able to apply for financial assistance from State funded conservation programs, where available.

DISCUSSIONS WITH STATE AND LOCAL ORGANIZATIONS

Mr. WHITTEN. Please describe for the record any discussions held by the Department or the Administration with State or local organizations regarding their assumption of the responsibilities for the various river basin and flood plain management studies prior to proposing the SCS river basin program be terminated.

Secretary LYNG. There were no discussions with State or local organizations regarding their assumption of the SCS river basin program in fiscal year 1987. However, these organizations are aware that the program will be continued at the Federal level only if funding is available.

AUTHORIZED P.L. 566 WATERSHEDS NOT YET COMPLETED

Mr. WHITTEN. Please provide for the record a list, by State, of all the authorized P.L. 566 and P.L. 534 projects that are not yet completed, along with amounts obligated to date and the cost to complete.

[The information follows:]

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
ALABAMA	BEAR CREEK-SOUTHEAST CHOCTAWHATCHEE RIVE	CONS
ALABAMA	BEAR-CAINE CREEKS	APPR
ALABAMA	BIG NANCE CREEK	CONS
ALABAMA	BUCK CREEK	CONS
ALABAMA	CHOCCOLOCCO CREEK	CONS
ALABAMA	CROOKED CREEK	CONS
ALABAMA	CYPRESS CREEK (TN)	CONS
ALABAMA	DYNNE CREEK	CONS
ALABAMA	FACTORY CREEK	CONS
ALABAMA	KELLY-PRESTON MILL CREEK	CONS
ALABAMA	MOORES CREEK	APPR
ALABAMA	MUSH CREEK	CONS
ALABAMA	POWELL CREEK	CONS
ALABAMA	TALLASEEHATCHIE CREEK	CONS
ALABAMA	TOWN CREEK	CONS
ALABAMA	WILKERSON CREEK	CONS
ARKANSAS	BIG CREEK (CRAIGHEAD)	CONS
ARKANSAS	BIG SLOUGH	APPR
ARKANSAS	CEDAR-PINEY CREEKS	CONS
ARKANSAS	DES ARC BAYOU	CONS
ARKANSAS	FISH BAYOU	APPR
ARKANSAS	FLAT ROCK CREEK	CONS
ARKANSAS	FOURCHE CREEK	CONS
ARKANSAS	LEE-PHILLIPS	CONS
ARKANSAS	NORTH FORK OF OZAN CREEK	CONS
ARKANSAS	OZAN CREEKS	APPR
ARKANSAS	PLUM BAYOU(FLAT BAYOU PORTION)	APPR
ARKANSAS	POINSETT	CONS
ARKANSAS	POTEAU RIVER	CONS
ARKANSAS	SOUTH FORK	CONS
ARKANSAS	SOUTH FOURCHE	CONS
ARKANSAS	UPPER OUACHITA RIVER	CONS
ARKANSAS	UPPER PETIT JEAN	CONS
ARKANSAS	UPPER TRI-COUNTY	CONS
ARIZONA	APACHE JUNCTION-GILBERT	CONS
ARIZONA	BUCKHORN-MESA	CONS
ARIZONA	HARQUAHALA VALLEY	CONS
ARIZONA	PERILLA MOUNTAIN	APPR
ARIZONA	WILLIAMS-CHANDLER	CONS
CALIFORNIA	BEARDSLEY	CONS
CALIFORNIA	CARPINTERIA VALLEY	CONS
CALIFORNIA	CENTRAL SONOMA	CONS
CALIFORNIA	LOWER LLAGAS CREEK	CONS
CALIFORNIA	MARSH-KELLOGG CREEK	CONS
CALIFORNIA	REVOLON	CONS
CALIFORNIA	TEHACHAPI	CONS
CALIFORNIA	UPPER LLAGAS CREEK	CONS
CALIFORNIA	WOODLAKE-ANTELOPE VALLEY	APPR
COLORADO	HOME SUPPLY	CONS
COLORADO	SEDGWICK-SAND DRAWS	CONS
COLORADO	WOLF CREEK-HIGHLANDS	APPR
CONNECTICUT	AVERY BROOK	APPR

CONS = Under construction.
APPR = Approved, but not under construction.

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
CONNECTICUT	FARM BROOK	CONS
CONNECTICUT	NORWALK RIVER	CONS
CONNECTICUT	SOUTH BRANCH PARK RIVER	CONS
DELAWARE	MARSHYHOPE CREEK	CONS
DELAWARE	UPPER CHOPTANK RIVER	CONS
DELAWARE	UPPER NANTICOKE RIVER	CONS
FLORIDA	EAST PITTMAN CREEK	APPR
FLORIDA	JUMPER CREEK	APPR
FLORIDA	LOXAHATCHEE SUB-DRAINAGE DISTRICT	APPR
FLORIDA	POND CREEK	CONS
FLORIDA	SOUTH FLORIDA CONSERVANCY DISTRICT	CONS
FLORIDA	WEST FORK COLDWATER CREEK	APPR
GEORGIA	BEAVER CREEK	APPR
GEORGIA	BEAVERDAM CREEK	CONS
GEORGIA	BIG CEDAR CREEK	CONS
GEORGIA	CEDAR CREEK	CONS
GEORGIA	EUHARLEE CREEK	CONS
GEORGIA	GROVE RIVER	CONS
GEORGIA	HEAD OF LITTLE TENNESSEE RIVER	CONS
GEORGIA	HUDSON RIVER	CONS
GEORGIA	LITTLE CREEK	CONS
GEORGIA	LITTLE SANDY CREEK & TRAIL CREEK	CONS
GEORGIA	LOWER LITTLE TALLAPOOSA RIVER	CONS
GEORGIA	MIDDLE FORK BROAD RIVER	CONS
GEORGIA	MIDDLE OCONEE-WALNUT CREEK	CONS
GEORGIA	MIDDLE RIVER	APPR
GEORGIA	MILL BRANCH	CONS
GEORGIA	NORTH OCONEE RIVER	CONS
GEORGIA	PINE LOG TRIBUTARY	CONS
GEORGIA	SALLACOA CREEK AREA	CONS
GEORGIA	SHOAL CREEK	APPR
GEORGIA	SOQUE	CONS
GEORGIA	SOUTH FORK OF BROAD RIVER	CONS
GEORGIA	TESNATEE CREEK	APPR
GEORGIA	UPPER MULBERRY RIVER	CONS
HAWAII	HONOLUA	CONS
HAWAII	KAHALUU	CONS
HAWAII	WAILUKA-ALENAIO	CONS
HAWAII	WAIMANALO	CONS
IOWA	BACON CREEK	CONS
IOWA	BADGER CREEK	CONS
IOWA	BLOCKTON	CONS
IOWA	HACKLEBARNEY	APPR
IOWA	INDIAN CREEK-VAN BUREN (MO)	CONS
IOWA	LEDGEWOOD CREEK	CONS
IOWA	LITTLE RIVER	CONS
IOWA	MILL-PICAYUNE CREEK	CONS
IOWA	MORLEE	CONS
IOWA	MOSQUITO OF HARRISON	CONS
IOWA	NORTH PIGEON	CONS
IOWA	SIMON RUN	CONS
IOWA	THREE MILE CREEK	CONS

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
IOWA	TROUBLESOME CREEK	CONS
IOWA	TURKEY CREEK	CONS
IOWA	TWELVE MILE CREEK	CONS
IOWA	TWIN PONIES	CONS
IOWA	WAUBONSIE CREEK	CONS
IDAHO	BRUNDAGE	CONS
IDAHO	HAZELTON BUTTE	APPR
IDAHO	LOWER SAND CREEK	APPR
IDAHO	MONTPELIER CREEK	CONS
IDAHO	ROCK CREEK-BIG CANYON/EAST FORK	APPR
IDAHO	ROCK CREEK-HOUTZ/OUTLET	APPR
IDAHO	ROCK CREEK-ROY EAST	APPR
IDAHO	ROCK CREEK-SUBLETT	APPR
IDAHO	ROCK CREEK-SUMMIT	APPR
IDAHO	THORN CREEK	APPR
IDAHO	UPPER SAND CREEK	APPR
ILLINOIS	SH-LOOP	APPR
ILLINOIS	KINKAID LAKE	APPR
ILLINOIS	LITTLE CACHE CREEK	CONS
ILLINOIS	LITTLE CALUMET RIVER	CONS
ILLINOIS	MILL CREEK	CONS
ILLINOIS	RACCOON LAKE	APPR
ILLINOIS	SHOAL CREEK	CONS
ILLINOIS	SPRING LAKE	APPR
ILLINOIS	UPPER SALT CREEK	CONS
INDIANA	ANDERSON RIVER	CONS
INDIANA	BACHELOR RUN	CONS
INDIANA	BAILEY-COX-NEWTSON	CONS
INDIANA	BRUCE LAKE	APPR
INDIANA	JORDAN CREEK	CONS
INDIANA	LITTLE WALNUT CREEK	CONS
INDIANA	MIDDLE FORK OF ANDERSON RIVER	CONS
INDIANA	MUDDY FORK OF SILVER CREEK	CONS
INDIANA	STUCKER FORK	CONS
INDIANA	TWIN-RUSH CREEK	CONS
INDIANA	UPPER BIG BLUE RIVER	CONS
KANSAS	BIG CREEK	CONS
KANSAS	CROSS CREEK	CONS
KANSAS	DIAMOND CREEK	CONS
KANSAS	DRY CREEK	CONS
KANSAS	EAST SECTOR WHITEWATER RIVER	CONS
KANSAS	ELK CREEK	CONS
KANSAS	GRANT-SHANGHAI CREEKS	CONS
KANSAS	GRASSHOPPER-COAL CREEK	CONS
KANSAS	LOWER ELK RIVER	CONS
KANSAS	LOWER SALT CREEK	CONS
KANSAS	LYONS CREEK	CONS
KANSAS	MIDDLE CREEK (LINN & MIAMI)	CONS
KANSAS	MIDDLE CREEK (MORRIS)	CONS
KANSAS	MIDDLE WALNUT	CONS
KANSAS	NORTH BLACK VERMILLION	CONS
KANSAS	NORTH SECTOR UPPER WALNUT	CONS

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
KANSAS	PEYTON CREEK	CONS
KANSAS	SAND CREEK	CONS
KANSAS	SOUTH SECTOR UPPER WALNUT	CONS
KANSAS	SPILLMAN CREEK	CONS
KANSAS	TURKEY CREEK	CONS
KANSAS	UPPER BLACK VERMILLION	CONS
KANSAS	UPPER SALT CREEK	CONS
KANSAS	UPPER WAKARUSA	CONS
KANSAS	WEST SECTOR WHITEWATER RIVER	CONS
KANSAS	WET WALNUT NO. 1	CONS
KANSAS	WET WALNUT NO. 2	CONS
KANSAS	WET WALNUT NO. 3	CONS
KANSAS	WET WALNUT NO. 5	CONS
KENTUCKY	BANKLICK CREEK	CONS
KENTUCKY	BIG MUDDY CREEK	CONS
KENTUCKY	CANEY CREEK	CONS
KENTUCKY	DONALDSON CREEK	CONS
KENTUCKY	EAST FORK OF POND RIVER	CONS
KENTUCKY	FOX CREEK	CONS
KENTUCKY	LITTLE AND MIDDLE PITMAN CREEK	APPR
KENTUCKY	NORTH FORK NOLIN RIVER	CONS
KENTUCKY	OBION CREEK	CONS
KENTUCKY	RED LICK CREEK	CONS
KENTUCKY	SALT LICK CREEK	CONS
KENTUCKY	SHORT CREEK	CONS
KENTUCKY	STEWART CREEK	CONS
KENTUCKY	UPPER TRADEWATER RIVER	CONS
KENTUCKY	WEST FORK OF MAYFIELD CREEK	CONS
KENTUCKY	WEST FORK OF POND RIVER	CONS
LOUISIANA	AVOYELLES-ST. LANDRY	APPR
LOUISIANA	BAYOU BONNE IDEE	CONS
LOUISIANA	BAYOU GROSSE TETE	CONS
LOUISIANA	BAYOU PLAQUEMINE BRULE	CONS
LOUISIANA	BELL CITY	CONS
LOUISIANA	CAMERON-CREOLE	CONS
LOUISIANA	CENTRAL MADISON	CONS
LOUISIANA	CHATLIN LAKE CANAL	APPR
LOUISIANA	CHOCTAW BAYOU	CONS
LOUISIANA	COCODRIE-GRAND LOUIS	APPR
LOUISIANA	CYPRESS-BLACK BAYOU	CONS
LOUISIANA	EAST CARROLL	CONS
LOUISIANA	EAST FRANKLIN	CONS
LOUISIANA	LAKE VERRET	CONS
LOUISIANA	WALNUT-ROUNDAWAY	CONS
LOUISIANA	WEST CARROLL	CONS
MASSACHUSETTS	BAITING BROOK	CONS
MASSACHUSETTS	CLAM RIVER	CONS
MASSACHUSETTS	SU-AS-CO	CONS
MASSACHUSETTS	UPPER QUABOAG RIVER	CONS
MASSACHUSETTS	WASHINGTON MOUNTAIN BROOK	CONS
MARYLAND	GOLDSBORO	CONS
MARYLAND	SENECA CREEK	APPR

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
MARYLAND	ST. MARY'S RIVER	CONS
MARYLAND	UPPER CHESTER RIVER	CONS
MAINE	DICKEY BROOK	APPR
MAINE	LOVEJOY POND	APPR
MAINE	PARKHURST SIDING-CARIBOU	APPR
MAINE	PATTEE BROOK	APPR
MAINE	PRESQUE ISLE STREAM	CONS
MAINE	SEBASTICOOK LAKE	APPR
MAINE	WEBBER POND	APPR
MICHIGAN	BEAN CREEK	APPR
MICHIGAN	EAST BRANCH STURGEON RIVER	CONS
MICHIGAN	EAST UPPER MAPLE RIVER	CONS
MICHIGAN	INDIAN CREEK	CONS
MICHIGAN	MIDDLE BRANCH OF CASS RIVER	CONS
MICHIGAN	ROGUE RIVER	CONS
MICHIGAN	WEST UPPER MAPLE RIVER	CONS
MINNESOTA	BURNHAM CREEK	APPR
MINNESOTA	CANBY CREEK	CONS
MINNESOTA	SOUTH ZUMBRO	CONS
MISSOURI	EAST FORK OF BIG CREEK	CONS
MISSOURI	GRASSY CREEK	APPR
MISSOURI	GRINDSTONE-LOST-MUDDY CREEK	CONS
MISSOURI	LITTLE WYACONDA-SUGAR CREEK	APPR
MISSOURI	LOST CREEK	CONS
MISSOURI	LOWER LITTLE BLACK (ARK)	CONS
MISSOURI	MOZINGO CREEK	CONS
MISSOURI	SOUTH FORK OF BLACKWATER RIVER	CONS
MISSOURI	TROUBLESOME CREEK	APPR
MISSOURI	UPPER LITTLE BLACK	CONS
MISSOURI	WILLOW CREEK	CONS
MISSISSIPPI	BAHALA CREEK	CONS
MISSISSIPPI	BAYOU PIERRE	APPR
MISSISSIPPI	BIG CREEK	CONS
MISSISSIPPI	BROWNS CREEKS	APPR
MISSISSIPPI	CHUNKY RIVER	CONS
MISSISSIPPI	CHUQUATONCHEE CREEK	CONS
MISSISSIPPI	COPIAH CREEK	CONS
MISSISSIPPI	DEER CREEK	CONS
MISSISSIPPI	DRY CREEK	CONS
MISSISSIPPI	FOURTEEN MILE-BAKERS CREEK	APPR
MISSISSIPPI	HOLLIDAY CREEK	CONS
MISSISSIPPI	LINE CREEK	CONS
MISSISSIPPI	LONG CREEK	CONS
MISSISSIPPI	MANTACHIE, BOGUE FALA AND BOGUE EUCUBA C	APPR
MISSISSIPPI	MUDDY CREEK	CONS
MISSISSIPPI	OKATOMA CREEK	APPR
MISSISSIPPI	RICHLAND CREEK	CONS
MISSISSIPPI	SECOND CREEK	CONS
MISSISSIPPI	SHUQUALAK CREEK	CONS
MISSISSIPPI	SOWASHEE CREEK	CONS
MISSISSIPPI	STANDING PINE CREEK	CONS
MISSISSIPPI	TALLAHAGA CREEK	CONS

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
MISSISSIPPI	TOWN CREEK	CONS
MISSISSIPPI	TUSCUMBIA RIVER	CONS
MISSISSIPPI	UPPER LEAF RIVER	CONS
MISSISSIPPI	WHITESAND-GREENS CREEKS	APPR
MONTANA	BIG SPRING CREEK	CONS
MONTANA	LOWER BIRCH CREEK	CONS
MONTANA	MUDDY CREEK(NORTHEAST UNIT)	APPR
MONTANA	SAGE CREEK	APPR
MONTANA	WOLF CREEK	CONS
NEBRASKA	AOWA CREEK	CONS
NEBRASKA	BALLS BRANCH	APPR
NEBRASKA	BELLWOOD	CONS
NEBRASKA	BIG INDIAN CREEK	CONS
NEBRASKA	BLACKWOOD CREEK	CONS
NEBRASKA	BONE CREEK	APPR
NEBRASKA	CLEAR CREEK	CONS
NEBRASKA	COTTONWOOD CREEK	CONS
NEBRASKA	GERING VALLEY	CONS
NEBRASKA	LONG BRANCH	CONS
NEBRASKA	LOWER MEDICINE CREEK	CONS
NEBRASKA	MIDDLE FORK MAPLE CREEK	APPR
NEBRASKA	PAPILLION CREEK	CONS
NEBRASKA	SOUTH BRANCH LITTLE NEMAHA	CONS
NEBRASKA	SOUTH FORK	CONS
NEBRASKA	SPRING CREEK (JOHNSON)	CONS
NEBRASKA	STEVENS-CALLAHAN(CAMP CREEK)	APPR
NEBRASKA	SWAN CREEK	CONS
NEBRASKA	TEKAMAH-MUD CREEK	CONS
NEBRASKA	UPPER BIG NEMAHA	CONS
NEBRASKA	UPPER MEDICINE CREEK	CONS
NEBRASKA	WILSON CREEK	CONS
NEBRASKA	WOLF-WILDCAT CREEK	CONS
NEW HAMPSHIRE	DEAD RIVER	CONS
NEW HAMPSHIRE	SUGAR RIVER	CONS
NEW JERSEY	ASSUNPINK CREEK	CONS
NEW JERSEY	CLOVE BROOK	APPR
NEW JERSEY	FURNACE BROOK	CONS
NEW JERSEY	NAVESINK CREEK	APPR
NEW JERSEY	UPPER SALEM RIVER	APPR
NEW MEXICO	CORRALES	CONS
NEW MEXICO	COTTONWOOD-WALNUT CREEK	CONS
NEW MEXICO	CROW & BROAD CANYONS & PLACITAS ARROYO	CONS
NEW MEXICO	EAGLE-TUMBLEWEED DRAW	APPR
NEW MEXICO	ESPANOLA-RIO CHAMA	APPR
NEW MEXICO	SEBASTIAN MARTIN-BLACK MESA	CONS
NEW MEXICO	SIBLEY, GREEN, JARALOSA AND CANDLER ARRO	CONS
NEW MEXICO	T OR C WILLIAMSBURG ARROYOS	CONS
NEW MEXICO	ZUNI PUEBLO	APPR
NEW YORK	BATAVIA KILL	CONS
NEW YORK	BLIND BROOK (CT)	APPR
NEW YORK	BRANDYWINE CREEK	APPR
NEW YORK	CONEWANGO CREEK	CONS

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
NEW YORK	CROMLINE CREEK	CONS
NEW YORK	DEPOSIT CREEK	CONS
NEW YORK	FLINT CREEK	CONS
NEW YORK	HIGINBOTHAM BROOK	CONS
NEW YORK	ISCHUA CREEK	CONS
NEW YORK	MILL BROOK	CONS
NEW YORK	NANTICOKE CREEK	CONS
NEW YORK	NEWTOWN-HOFFMAN CREEKS	CONS
NEW YORK	OAK ORCHARD CREEK	CONS
NEW YORK	OTISCO LAKE	APPR
NORTH CAROLINA	BRYANT SWAMP	CONS
NORTH CAROLINA	BUFFALO-MUDDY FORK CREEK	APPR
NORTH CAROLINA	CHICOD CREEK	CONS
NORTH CAROLINA	COUNTRY LINE CREEK	CONS
NORTH CAROLINA	CRABTREE CREEK	CONS
NORTH CAROLINA	CRESWELL	CONS
NORTH CAROLINA	DEEP CREEK (YADKIN)	CONS
NORTH CAROLINA	DUTCHMAN CREEK	CONS
NORTH CAROLINA	FISHING CREEK	APPR
NORTH CAROLINA	JACOB SWAMP	CONS
NORTH CAROLINA	LIMESTONE CREEK	CONS
NORTH CAROLINA	LITTLE CONTENTNEA CREEK	APPR
NORTH CAROLINA	LITTLE YADKIN RIVER	CONS
NORTH CAROLINA	MOSS NECK	CONS
NORTH CAROLINA	MUDDY CREEK (DUPLIN)	CONS
NORTH CAROLINA	RAMSEUR RESERVOIR WATERSHED	APPR
NORTH CAROLINA	SANDY CREEK	APPR
NORTH CAROLINA	SECOND BROAD RIVER	CONS
NORTH CAROLINA	STEWARTS CREEK-LOVILLS CREEK	CONS
NORTH CAROLINA	SWAN QUARTER	APPR
NORTH CAROLINA	SWIFT CREEK	CONS
NORTH CAROLINA	TOWN FORK CREEK	CONS
NORTH DAKOTA	LOWER FOREST RIVER	CONS
NORTH DAKOTA	MIDDLE BRANCH-PARK RIVER	CONS
NORTH DAKOTA	MIDDLE-SOUTH BRANCH FOREST RIVER	CONS
NORTH DAKOTA	MUSKRAT LAKE BASIN WATERSHED	APPR
NORTH DAKOTA	SQUARE BUTTE CREEK	CONS
NORTH DAKOTA	UPPER TURTLE RIVER	CONS
OHIO	LITTLE AUGLAIZE RIVER	CONS
OHIO	MIDDLE BRANCH OF THE LITTLE AUGLAIZE RIV	CONS
OHIO	NORTH HOCKING RIVER	CONS
OHIO	PRAIRIE-HOAGLIN BR. OF LITTLE AUGLAIZE R	APPR
OHIO	RATTLESNAKE CREEK	CONS
OHIO	RUSH CREEK	CONS
OHIO	SHORT CREEK	CONS
OHIO	SOUTH FORK LICKING RIVER	CONS
OHIO	UPPER KILLBUCK CREEK	APPR
OKLAHOMA	BRUSHY-PEACEABLE CREEK	CONS
OKLAHOMA	CAMBELL CREEK	APPR
OKLAHOMA	CANE CREEK	CONS
OKLAHOMA	CANEY CREEK	CONS
OKLAHOMA	CARNEY CREEK	APPR

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
OKLAHOMA	COTTON-COON-MISSION CREEK	CONS
OKLAHOMA	COW CREEK	CONS
OKLAHOMA	DEER CREEK	APPR
OKLAHOMA	GARRISON CREEK	APPR
OKLAHOMA	HOYLE CREEK	CONS
OKLAHOMA	JACK CREEK	CONS
OKLAHOMA	KICKAPOO NATIONS	CONS
OKLAHOMA	LEADER-MIDDLE CLEAR BOGGY CREEK	CONS
OKLAHOMA	LOST-DUCK CREEKS	CONS
OKLAHOMA	LOWER BAYOU	CONS
OKLAHOMA	LOWER BLACK BEAR CREEK	CONS
OKLAHOMA	LOWER CLEAR BOGGY CREEK	CONS
OKLAHOMA	LOWER RED ROCK CREEK	CONS
OKLAHOMA	MCKINNEY BUZZARD	CONS
OKLAHOMA	OKFUSKEE TRIBUTARIES	CONS
OKLAHOMA	POTT-SEM-TURKEY	APPR
OKLAHOMA	PRYOR CREEK	CONS
OKLAHOMA	QUAPAW CREEK	CONS
OKLAHOMA	ROBINSON CREEK	CONS
OKLAHOMA	SALT-CAMP CREEK	CONS
OKLAHOMA	SANDY CREEK	CONS
OKLAHOMA	STILLWATER CREEK	CONS
OKLAHOMA	TRI-COUNTY TURKEY CREEK	CONS
OKLAHOMA	TURKEY CREEK	APPR
OKLAHOMA	UPPER BAYOU	CONS
OKLAHOMA	UPPER BLACK BEAR CREEK	CONS
OKLAHOMA	UPPER BLUE RIVER	APPR
OKLAHOMA	UPPER ELK CREEK	CONS
OKLAHOMA	UPPER MUDDY BOGGY CREEK	CONS
OKLAHOMA	UPPER RED ROCK CREEK	CONS
OKLAHOMA	WATERFALL-GILFORD CREEK	CONS
OREGON	CALAPOOYA CREEK	APPR
OREGON	GRAND PRAIRIE	CONS
OREGON	JUNIPER CANYON	CONS
OREGON	LOWER AMAZON & FLAT CREEK	CONS
OREGON	MT. HOOD IRRIGATION DISTRICT	APPR
OREGON	NORTH POWDER RIVER	CONS
OREGON	WOLF CREEK	CONS
PENNSYLVANIA	BRANDYWINE CREEK	CONS
PENNSYLVANIA	BRIAR CREEK	CONS
PENNSYLVANIA	BUFFALO CREEK	APPR
PENNSYLVANIA	CLOVER CREEK	APPR
PENNSYLVANIA	CROSS CREEK	CONS
PENNSYLVANIA	DUNLAP CREEK	CONS
PENNSYLVANIA	JACOBS CREEK	CONS
PENNSYLVANIA	LITTLE SCHUYLKILL RIVER	CONS
PENNSYLVANIA	LITTLE SHENANGO RIVER	CONS
PENNSYLVANIA	MIDDLE CREEK	CONS
PENNSYLVANIA	NESCOPECK CREEK	APPR
PENNSYLVANIA	NESHAMINY CREEK	CONS
PENNSYLVANIA	OIL CREEK	APPR
PENNSYLVANIA	ROCK CREEK	APPR

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
PUERTO RICO	ANASCO RIVER	CONS
PUERTO RICO	GUAYANES RIVER	APPR
SOUTH CAROLINA	BACK SWAMP	CONS
SOUTH CAROLINA	CANE CREEK	CONS
SOUTH CAROLINA	CARTWHEEL COMMUNITY	APPR
SOUTH CAROLINA	CLARKS FORK-BULLOCKS CREEK	APPR
SOUTH CAROLINA	FAIRFOREST CREEK	APPR
SOUTH CAROLINA	HOLLOW CREEK	CONS
SOUTH CAROLINA	LITTLE LYNCHES CREEK	CONS
SOUTH CAROLINA	LITTLE RIVER	APPR
SOUTH CAROLINA	NORTH TYGER RIVER	CONS
SOUTH CAROLINA	NORTHEAST CALHOUN	APPR
SOUTH CAROLINA	OOLENOY RIVER	CONS
SOUTH CAROLINA	PACOLET RIVER	APPR
SOUTH CAROLINA	RABON CREEK	CONS
SOUTH CAROLINA	RAFTING CREEK	APPR
SOUTH CAROLINA	ROCKY CREEK	CONS
SOUTH CAROLINA	SALKEHATCHIE RIVER	APPR
SOUTH CAROLINA	SOUTH TYGER RIVER	CONS
SOUTH CAROLINA	UPPER NEW RIVER	CONS
SOUTH CAROLINA	UPPER SAVANNAR WATERSHED	APPR
SOUTH DAKOTA	UNION CREEK	CONS
TENNESSEE	BOGOTA	CONS
TENNESSEE	CANE CREEK	CONS
TENNESSEE	CROW CREEK	CONS
TENNESSEE	HURRICANE CREEK	CONS
TENNESSEE	MADISON-CYPRESS CREEK	APPR
TENNESSEE	MARTIN CREEK	CONS
TENNESSEE	MCNAIRY-CYPRESS CREEK	CONS
TENNESSEE	MIDDLE FORK-OBION RIVER	CONS
TENNESSEE	MUD CREEK	CONS
TENNESSEE	NORTH FORK-FORKED DEER RIVER	CONS
TENNESSEE	PINE CREEK	CONS
TENNESSEE	PORTERS CREEK	CONS
TENNESSEE	PORTLAND WATERSHED	APPR
TENNESSEE	RED BOILING SPRINGS	CONS
TENNESSEE	REELFOOT-INDIAN CREEK	CONS
TENNESSEE	SWEETWATER CREEK	CONS
TENNESSEE	WEATHERFORD-BEAR CREEK	CONS
TEXAS	AQUILLA-HACKBERRY CREEK	CONS
TEXAS	ATTOYAC BAYOU	CONS
TEXAS	BIG CREEK	CONS
TEXAS	CANEY CREEK	CONS
TEXAS	CHOCOLATE, LITTLE CHOCOLATE, LYNN BAYOU	CONS
TEXAS	CHOCTAW CREEK	CONS
TEXAS	CORNUDAS, NORTH AND CULP DRAWS	CONS
TEXAS	DONAHOE CREEK	CONS
TEXAS	ECLETO CREEK	APPR
TEXAS	ELM CREEK (CEN-TEX)	CONS
TEXAS	ELM CREEK (1250)	APPR
TEXAS	HITSON, C&L AND WASHBURN DRAWS	CONS
TEXAS	LEONA RIVER	CONS

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
TEXAS	LOS OLMOS CREEK	APPR
TEXAS	LOWER PLUM CREEK	CONS
TEXAS	MCCLELLAN CREEK	CONS
TEXAS	MILL CREEK	CONS
TEXAS	NORTH CUERO	CONS
TEXAS	PALUXY RIVER	CONS
TEXAS	PECAN CREEK	CONS
TEXAS	PINE CREEK	CONS
TEXAS	PLUM CREEK	CONS
TEXAS	POLLARD CREEK	CONS
TEXAS	RED DEER CREEK	APPR
TEXAS	RUSH CREEK	CONS
TEXAS	SALADO CREEK	CONS
TEXAS	SAN DIEGO-ROSITA CREEKS	CONS
TEXAS	SAN FELIPE	APPR
TEXAS	SANDERSON CANYON	CONS
TEXAS	TEHUACANA CREEK	CONS
TEXAS	THREE MILE AND SULFER DRAW	CONS
TEXAS	UPPER LAKE FORK CREEK	CONS
TEXAS	UPPER SAN MARCOS RIVER	CONS
TEXAS	WEST FORK OF BUFFALO CREEK	CONS
UTAH	BLUE CREEK-HOWELL	CONS
UTAH	DRY GULCH-MARTIN LATERAL	CONS
UTAH	FERRON	CONS
UTAH	HANSEL VALLEY	CONS
UTAH	WARNER DRAW	CONS
VIRGINIA	BUFFALO RIVER	CONS
VIRGINIA	BUSH RIVER	CONS
VIRGINIA	CEDAR RUN	CONS
VIRGINIA	COPPER CREEK	APPR
VIRGINIA	GREAT CREEK	CONS
VIRGINIA	LITTLE RIVER	CONS
VIRGINIA	LOONEY-MILL CREEK	APPR
VIRGINIA	NIBBS CREEK	APPR
VIRGINIA	POHICK CREEK	CONS
VIRGINIA	SLATE RIVER	CONS
VIRGINIA	SOUTH ANNA RIVER	CONS
VIRGINIA	UPPER APPOMATTOX RIVER	APPR
VIRGINIA	UPPER CLINCH VALLEY	CONS
VERMONT	BLACK RIVER	APPR
VERMONT	LAPLATTE RIVER	APPR
VERMONT	LEMON FAIR RIVER	APPR
VERMONT	LOWER OTTER AND DEAD CREEKS	APPR
VERMONT	LOWER WINOOSKI RIVER	APPR
VERMONT	UPPER CASTLETON RIVER	APPR
WASHINGTON	EAST SIDE GREEN RIVER	CONS
WASHINGTON	EAST WENATCHEE	APPR
WASHINGTON	JOHNSON CREEK	APPR
WASHINGTON	MARSHLAND	CONS
WASHINGTON	NEWAUKUM	APPR
WASHINGTON	NORTH PINE-SPRING VALLEY CREEK	APPR
WASHINGTON	PLEASANT VALLEY CREEK	APPR

AUTHORIZED PL 566 WATERSHEDS NOT YET COMPLETED

STATE	PROJECT NAME	STATUS
WASHINGTON	REBEL FLAT CREEK	APPR
WISCONSIN	BAD AXE	CONS
WISCONSIN	GLEN HILLS	CONS
WISCONSIN	MAIDEN ROCK COULEE	CONS
WISCONSIN	PINE RIVER	CONS
WISCONSIN	UPPER SUGAR RIVER	APPR
WISCONSIN	UPPER WEST BRANCH OF THE PECATONICA	APPR
WISCONSIN	WEST FORK KICKAPOO	CONS
WEST VIRGINIA	BRUSH CREEK	CONS
WEST VIRGINIA	ELK TWOMILE CREEK	CONS
WEST VIRGINIA	HARMON CREEK	CONS
WEST VIRGINIA	MILL CREEK	CONS
WEST VIRGINIA	PINEY CREEK-SOAK CREEK	CONS
WEST VIRGINIA	POCATALICO RIVER BASIN	CONS
WEST VIRGINIA	POND RUN	CONS
WEST VIRGINIA	UPPER BUFFALO CREEK	CONS
WEST VIRGINIA	UPPER MUD RIVER	APPR
WEST VIRGINIA	WHEELING CREEK	CONS
WYOMING	DOUGLAS	APPR

FISCAL YEAR 1985 OBLIGATIONS AND COST TO COMPLETE P. L. 566 WATERSHED PROJECTS BY STATE

State	No. of Projects	Federal Obligations	Completion Cost
ALABAMA	39	5,882,357	28,610,000
ALASKA	0	0	0
ARIZONA	13	6,658,305	53,420,000
ARKANSAS	56	4,093,090	52,354,000
CALIFORNIA	24	6,665,125	63,837,000
COLORADO	19	1,941,226	4,661,000
CONNECTICUT	10	1,049,696	10,078,000
DELAWARE	4	1,080,270	1,579,000
FLORIDA	22	1,254,865	3,368,000
GEORGIA	64	2,595,332	13,322,000
HAWAII	9	2,225,452	23,070,000
IDAHO	15	1,457,951	7,569,000
ILLINOIS	25	9,335,491	54,157,000
INDIANA	37	3,432,668	10,798,000
IOWA	49	3,569,891	49,747,000
KANSAS	55	5,630,973	58,399,000
KENTUCKY	33	2,349,137	14,318,000
LOUISIANA	40	4,202,953	36,554,000
MAINE	16	432,754	821,000
MARYLAND	19	600,467	2,408,000
MASSACHUSETTS	11	1,142,293	4,439,000
MICHIGAN	21	515,924	2,953,000
MINNESOTA	18	1,879,561	21,550,000
MISSISSIPPI	53	10,256,443	104,404,000
MISSOURI	24	3,457,124	56,656,000
MONTANA	18	1,193,616	4,437,000
NEBRASKA	50	3,185,546	26,184,000
NEVADA	5	31,366	0
NEW HAMPSHIRE	7	494,486	10,370,000
NEW JERSEY	15	1,100,756	6,273,936
NEW MEXICO	28	1,839,489	84,732,000
NEW YORK	19	4,598,823	13,457,000
NORTH CAROLINA	52	2,862,167	30,859,000
NORTH DAKOTA	17	941,024	10,878,000
OHIO	18	4,051,531	47,852,000
OKLAHOMA	71	8,680,289	119,779,000
OREGON	18	843,131	17,580,000
PENNSYLVANIA	26	14,900,759	38,700,000
PUERTO RICO	3	325,196	2,767,000
RHODE ISLAND	0	0	0
SOUTH CAROLINA	45	1,359,076	10,261,000
SOUTH DAKOTA	15	466,989	20,000
TENNESSEE	37	3,761,984	44,471,000
TEXAS	91	14,790,239	86,295,000
UTAH	13	438,337	1,659,000
VERMONT	9	1,010,221	11,412,000
VIRGINIA	32	4,640,296	29,995,000
WASHINGTON	19	821,894	29,609,000
WEST VIRGINIA	25	5,587,649	22,733,000
WISCONSIN	28	1,392,900	8,015,000
WYOMING	13	176,857	2,532,000
STATE TOTAL	1,350	161,203,969	1,339,942,936

AUTHORIZED P. L. 534 WATERSHED PROJECTS

STATE	PROJECT NAME	STATUS
California	Los Angeles River Watershed	Ongoing
California	Santa Ynez River Watershed	Ongoing
Georgia and, Tennessee	Coosa River Watershed	Complete
Iowa	Little Sioux River Watershed	Ongoing
Maryland, Pennsylvania, Virginia, and West Virginia	Potomac River Watershed	Ongoing
Mississippi	Little Tallahatchie River Watershed	Ongoing
Mississippi	Yazoo River Watershed	Ongoing
New York	Buffalo Creek Watershed	Complete
Oklahoma and Texas	Washita River Watershed	Ongoing
Texas	Middle Colorado River Watershed	Ongoing
Texas	Trinity River Watershed	Ongoing

FISCAL YEAR 1985 OBLIGATIONS AND COST TO COMPLETE P. L. 534 WATERSHED PROJECTS

Flood Prevention Project	Number of Projects	Estimated Total Federal Cost	Federal Obligations
Buffalo Creek Watershed, New York...	3	4,615,182	600,760
Middle Colorado River Watershed, TX.	17	53,642,842	948,623
Coosa River Watershed, Georgia and Tennessee	16	16,386,287	869,435
Little Sioux River Watershed, Iowa..	124	117,100,085	2,358,557
Little Tallahatchie River Watershed, Mississippi......................	18	88,725,813	1,529,557
Los Angeles River Watershed, CA.....	12	60,751,256	1,287,128
Potomac River Watershed, Maryland, Pennsylvania, Virginia, W.VA.....	22	115,891,371	4,800,429
Santa Ynez River Watershed, CA......	5	28,948,769	4,248,578
Trinity River Watershed, Texas......	34	196,053,336	4,217,082
Washita River Watershed, Oklahoma and Texas.........................	61	155,206,375	3,088,171
Yazoo River Watershed, Mississippi..	94	327,447,744	5,959,186
TOTAL...........................	406	1,164,769,060	29,907,506 a/

a/ Does not include Farmers Home Administration obligations of $193,000.

ESTIMATED BENEFIT IF PROJECTS WERE COMPLETED

Mr. WHITTEN. What would be the annual estimated benefit of these projects if they were completed?

Secretary LYNG. If these projects were completed, they would yield $2.6 billion in benefits over their expected life.

While we have not compiled the information regarding the compostion of those benefits, we are conducting an analysis of completed projects. This analysis shows that nearly 40 percent of the benefits were obtained by increased production of crops—largely wheat, corn, soybeans and cotton. Over a third of the benefits were directed towards recreation. Flood protection for agricultural facilities, rural towns, roads and benefits from reduced erosion or sedimentation accounted for the remaining 25 percent.

NUMBER OF PROJECTS IN PLANNING STAGE

Mr. WHITTEN. How many of these projects that are in the planning stage do you estimate will be completed if Federal participation is terminated as recommended by the Administration?

Secretary LYNG. Presently, 166 projects are actively being planned and of these projects 69 are being planned for watershed protection. It is very likely that local sponsors would complete these 69 watershed protection projects since these completed plans could be implemented through funding by other State or Federal programs. All of the remaining 97 planning projects include flood protection and other cost shared purposes. The planning efforts for these cost shared purposes would most likely not be completed since State or other Federal programs are no longer available to implement them. Some of these 97 planning projects also include watershed protection elements that local sponsors may very likely complete.

FEDERAL CROP INSURANCE CORPORATION

Mr. WHITTEN. The Administration is proposing to phase out premium subsidies and subsidies for administrative expense over a five-year period. How much would these actions increase the average premium cost to the producer?

Secretary LYNG. Given the same assumptions as are presented in the President's Budget for Fiscal Year 1987, the national average premium cost per acre to the producer is estimated to be $6.77 for crop year 1986 and would increase to approximately $12.19 per acre for crop year 1991 with the phase out of both premium subsidy and administrative expenses.

Mr. WHITTEN. Given the current financial condition of agricultural producers, how many do you think will pay the additional expense for crop insurance if the subsidy is terminated?

Secretary LYNG. We do not anticipate that the participation in the crop insurance program will decrease due to the increasing recognition of crop insurance as an important risk management tool and lender requirement. With the economics of farming in the 1980's and 1990's, this will probably further encourage the use of insurance as the most prudent method of protecting their crop investment.

Mr. WHITTEN. What actions has the Department considered should participation in the crop insurance program begin to decrease significantly?

Secretary LYNG. The Corporation would need to reassess it's position should participation decrease significantly; however we do not believe this will occur.

Mr. WHITTEN. As more of the crop insurance program is turned over to the private sector, what assurances do we have that the private sector will continue the policy of universal availability of crop insurance at reasonable rates?

Mr. LYNG. As long as the Corporation is involved in crop insurance, the Reinsurance Agreement will contain a provision for universal availability to producers. If for some reason crop insurance is not available through a reinsured company, the Corporation will provide the insurance. In either instance, the insurance will be offered at rates established by the Corporation which are determined to be actuarilly sound.

COST IMPACT OF CHANGES

Mr. WHITTEN. In addition to proposing the phaseout of REA programs by 1990 and decreasing the loan programs from $2 billion in fiscal year 1986 to $800 million in fiscal year 1987, the Administration is proposing to increase the interest rate on direct loans from 5 percent to the cost of Treasury borrowing plus one-and-one-eight percent and to assess an up-front user fee of 5 percent on direct loans. What impact will these changes have on the farm sector, which is suffering through one of its worst economic periods?

Secretary LYNG. If a REA borrower had received its last loan at an interest rate based on Treasury's most recent borrowing plus 1⅛ percent, the average residential consumer would have experienced an increase of only 43 cents per month in his electric bill. The up-front user fee would amount to only a few pennies on residential consumer bills. It should be pointed out that only those systems borrowing funds would be impacted by these proposals.

SERVICE TO NON-RURAL AREAS

Mr. WHITTEN. The Administration contends that many REA borrowers are serving areas that are more urban than rural and adjustments should be made in the REA legislation to permit targetting of REA loan funds to financially weaker borrowers. What criteria has been established to determine the financially weaker borrower?

Secretary LYNG. REA has not yet decided on the final criteria for identifying financially weaker borrowers.

RURAL HOUSING

Mr. WHITTEN. The President's budget justifies the termination of the rural housing program in 1987 by stating that low-income residents in rural areas will obtain assistance through HUD's voucher program, but only 50,000 vouchers would be shared by both urban and rural households. How can the Administration justify such a proposal when there is over 2,000,000 substandard units of housing in rural areas and 70 percent of the tenants in Section 515 housing have income below $6,000?

Secretary LYNG. FmHA currently finances, in rural areas, approximately 1,400,000 single and multiple family dwellings that will continue to be available to serve low-income families. It is estimated that about 30,000 to 50,000 single family and many multiple family units will become available to new families each year. HUD will also make about 25,000 vouchers available to rural areas each year. In addition, HUD's other housing assistance will continue to remain available.

Mr. WHITTEN. How many offices does HUD have outside metropolitan areas? How many does Farmers Home have?

Secretary LYNG. All of HUD's ten regional offices are located in metropolitan areas. Approximately 1,500 of the FmHA offices are located outside of metropolitan areas. Of course, all of the FmHA offices serve rural areas as defined by Congress.

Mr. WHITTEN. The Congress reduced the funds available for rural housing in the Continuing Resolution for 1986. Including that reduction, the total number of units assisted by Farmers Home has declined from 150,169 in 1980 to 53,983 in 1986. Why is the Administration so intent in terminating programs that assist low-income rural residents?

Secretary LYNG. The reduction of the FmHA rural housing programs is part of the overall effort to reduce the Government budget in areas where the private sector can reasonably provide the service previously being provided by the Government. This action started with the FmHA housing programs not being available to moderate-income families. It continued with a mandate to use 40 percent of available funds for very low-income families. The next part of this action is to replace the loan program with a voucher system that can better serve very low income residents. Although FmHA assisted housing programs are proposed to be eliminated, housing assistance will be available through HUD's programs.

RURAL DEVELOPMENT

Mr. WHITTEN. The President's budget assumes that water supply and waste disposal system needs of rural areas can be met by programs administered by HUD, EPA, and the private sector. How many Farmers Home existing clients would not be eligible for participation in the HUD or EPA programs because they are not units of government?

Secretary LYNG. As of April 9, 1986, the Farmers Home Administration has approximately 13,300 water and/or waste disposal borrowers. Approximately 3,200, or 24 percent, of these borrowers are nonprofit organizations which would not be eligible for assistance under HUD's community development block grant program or EPA's construction grant program. Also, certain special purpose districts and authorities would not be eligible for HUD assistance.

Mr. WHITTEN. Please provide for the record any analysis conducted by the Administration to determine whether the private sector is willing to finance these projects at reasonable rates and terms.

Secretary LYNG. The private sector is becoming more interested in financing rural community needs. We feel that this is a result of the trend toward lower interest rates which makes it easier for borrowers to repay their loans. We also feel that the very low delinquency and default rates in the water and waste disposal program are good indicators that private lenders could make sound loans in rural areas.

CABINET COUNCIL ON FOOD AND AGRICULTURE

Mr. WHITTEN. Is the Cabinet Council Working Group on Food and Agriculture still used to assist in the formulation of agricultural policy?

Secretary LYNG. After the Cabinet Council Working Group on Future Food and Agriculture Policy had completed its mandate to: review and assess current farm programs; institute a dialogue on the future course of food and agriculture policy with interested parties outside of the Administration; devise a list of food and agriculture policy options; and make recommendations to the Cabinet Council on Food and Agriculture regarding components of the Administration's 1985 Farm Bill, the Working Group was phased out during the reorganization of various cabinet level councils into the Economic Policy Council and the Domestic Policy Council on April 11, 1985.

Mr. WHITTEN. Who are the participants on the Working Group?

Secretary LYNG. At the time the Working Group was in existence it was composed of high-level Federal officials at the Assistant Secretary level or above from the Departments of Agriculture, Commerce, State and Treasury; the U.S. Trade Representative; the Office of Management and Budget; the Council of Economic Advisors and the Office of Policy Development for the White House. The Working Group was chaired by the Deputy Secretary of Agriculture.

Mr. WHITTEN. How many meetings were held last year?

Secretary LYNG. Last year the Working Group did not exist, therefore, no meetings were held.

JOINT COUNCIL REPORT

Mr. WHITTEN. To what extent is the report from the Joint Food and Agricultural Sciences regarding priorities for research and extension and higher education reflected in the 1987 budget recommendations?

Secretary LYNG. The FY 1987 budget recommendations reflect important priorities of the Joint Council. The request for the Agricultural Research Service includes increases to support a major initiative to develop new uses for agricultural commodities aimed at improving the profitability of agricultural, and to strengthening research on plant germplasm improvement and preservation. Continuing research emphasis on soil and water, production efficiency, and human nutrition are also planned. Funding for research through the Cooperative State Research Service, to traditional State cooperators, emphasizes non-earmarked support that will be assigned within the context of the needs of the individual States. The recent initiative in the biotechnology competitive research grants would continue. The proposed funding for extension would be used to address high priority concerns, such as restoration of profitability to American agriculture, and proper management of natural resources.

SPECIAL RESEARCH GRANTS

Mr. WHITTEN. The 1987 budget justifies termination of the CSRS special research grants by proposing that States may use other available funds to continue support of these research projects. Many States are experiencing financial difficulties—why would they fund research on national problems?

Secretary LYNG. Research conducted through Special Research Grants has included problems of great significance and excellent programs of research have resulted. The current budget request is the result of general recognition of the importance in limiting the Federal deficit and the greater flexibility in the formula programs to adjust to meet the most urgent and pressing problems in each State. Although some States are experiencing financial difficulties it is anticipated that research judged to be of a high priority will be addressed through other funding sources.

Mr. WHITTEN. What sources of funds are available to States to continue research projects?

Secretary LYNG. The discretionary nature of the Hatch Act formula and related base funded programs would permit the institutions to fund research in those areas that they identify as high priority. Also, the institutions may use State appropriated funds to continue research judged to be most important.

Mr. WHITTEN. Please provide for the record a list of all special research grants awarded to date in 1986 and show the date through which funding will support each grant.

[The information follows:]

PROGRAM AREA: DRIED BEAN RESEARCH IN NORTH DAKOTA
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
North Dakota State Univ. Fargo, ND	84-CRSR-2-2358	8601325	$45,504	07/01/84	06/30/87	Improvement of Edible Dry Beans

TOTAL $45,504

PROGRAM AREA: INTEGRATED PEST MANAGEMENT
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Univ. of Massachusetts Amherst, MA	85-CRSR-2-2709	8602211	$30,000	07/01/85	01/31/89	Behavioral Management of Apple Maggot Flies
Univ. of Maine Orono, ME	86-CRSR-2-2759	8602214	$10,000	04/15/86	04/30/87	Effects of Limonin and Related Compounds on Colorado Potato Beetle Larvae
Univ. of Maine Orono, ME	86-CRSR-2-2767	8602219	$14,000	05/01/86	04/30/87	Biological Control of *Rhizoctonia solani* by Cytoplasmic Hypovirulence
Cornell Univ. Ithaca, NY	85-CRSR-2-2698	8602210	$37,450	06/01/85	12/31/88	Control of Apple Union Necrosis and Decline through Cross Protection
Cornell Univ. Ithaca, NY	85-CRSR-2-2680	8602213	$10,000	06/01/85	05/31/87	Common Scab of Potato: Effects of Cultivar Resistance and Inoculum Source
Pennsylvania State Univ. University Park, PA	85-CRSR-2-2683	8602215	$10,000	07/01/85	06/30/87	Potato Plant Response to Insect Feeding and Abiotic Stresses
Univ. of Vermont & State Agric. College Burlington, VT	86-CRSR-2-2770	8602209	$63,153	05/01/86	04/30/89	Development of an Antibody-based Diagnostic Kit to Monitor *Venturia inaequalis* Ascospores
		TOTAL	$174,603			

PROGRAM AREA: PESTICIDE CLEARANCE
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Univ. of California Davis, CA	84-CRSR-2-2341	8600951	$259,562	03/01/84	02/28/87	Minor Use Pesticide Research - Western Region IR-4
Univ. of Florida Gainesville, FL	84-CRSR-2-2342	8601009	$259,562	02/01/84	01/31/88	Southern Region Leader Laboratory Cooperative Research for Minor Use Pesticide and Biologicals Registrations
Michigan State Univ. East Lansing, MI	84-CRSR-2-2346	8601010	$259,564	02/15/84	06/30/87	North Central Leader Laboratory Program for Minor Use Pesticide Research to Supplement the IR-4 Program
Rutgers, The State Univ. New Brunswick, NJ	86-CRSR-2-2751	8600646	$259,562	04/15/86	04/30/89	Clearances of Chemicals and Biologics for Minor or Special Uses/Pesticides
Cornell Univ. Ithaca, NY	83-CRSR-2-2075	8600645	$259,562	03/01/83	09/30/87	NE Regional Laboratory for Analysis of Pesticide and Biologics for Minor or Special Uses

TOTAL $1,297,812

PROGRAM AREA: MINOR USE ANIMAL DRUGS
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Univ. of California Davis, CA	86-CRSR-2-2749	8600953	$43,420	05/01/86	04/30/87	Minor Use Animal Drug Research - Western Region IR-4
Univ. of Florida Gainesville, FL	86-CRSR-2-2750	8601015	$43,418	04/01/86	03/31/87	Southern Region Leader Laboratory Cooperative Research for Minor or Specialty Use Animal Drugs
Michigan State Univ. East Lansing, MI	86-CRSR-2-2747	8601014	$43,418	05/01/86	04/30/87	North Central Leader Laboratory Program for Minor Use Drug Research to Supplement the IR-4 Program
Rutgers, The State Univ. New Brunswick, NJ	84-CRSR-2-2348	8601013	$43,418	03/01/84	02/29/88	Clearance of Chemicals and Biologics for Minor or Special Uses/Animal Drugs
Cornell Univ. Ithaca, NY	83-CRSR-2-2081	8601012	$43,418	03/01/83	09/30/87	Northeast Regional Laboratory for Analysis of Animal Drugs for Minor Uses
		TOTAL	$217,092			

PROGRAM AREA: PESTICIDE IMPACT ASSESSMENT
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
Univ. of California Berkeley, CA	83-CRSR-2-2327	8601697	$335,166	09/15/83	12/31/87	Western Region Pesticide Impact Assessment Program
Univ. of Maryland College Park, MD	86-CRSR-2-2746	8601011	$25,000	03/01/86	08/31/87	Assistance in the National Agricultural Pesticide Impact Assessment Program
Univ. of Maine Orono, ME	83-CRSR-2-2091	8602340	$5,785	04/01/83	09/30/87	Maine's Use of the National Pesticide Information Retrieval System (NPIRS)
Pennsylvania State Univ. University Park, PA	82-CRSR-2-2057	8600650	$335,166	09/30/82	09/29/87	Continued Implementation of the Northeast Region Pesticide Impact Assessment Program
Clemson Univ. Clemson, SC	86-CRSR-2-2752	8601459	$335,166	03/15/86	03/31/88	Southern Region SAES Special Studies for Pesticide Impact Assessments (Division of NAPIAP)
		TOTAL	$1,036,283			

PROGRAM AREA: DAIRY AND BEEF PHOTOPERIOD
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
Michigan State Univ. East Lansing, MI	84-CRSR-2-2340	8601658	$31,284	06/01/84	11/30/87	Photoperiod-Induced Changes in Growth and Composition Steroid-Implanted Steers

TOTAL $31,284

PROGRAM AREA: GERMPLASM RESOURCES RESEARCH
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1985

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Univ. of California Davis, CA	85-CRSR-2-2542	8601321	$325,460	04/01/85	02/28/87	National Fruit and Nut Germplasm Repository
Oregon State Univ. Corvallis, OR	85-CRSR-2-2561	8601490	$344,390	04/01/85	03/31/87	Collect-Evaluate, Maintain and Distribute Germplasm of Clonally Propagated Crops
		TOTAL	$669,850			

PROGRAM AREA: BLUEBERRY SHOESTRING VIRUS, MI
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
Michigan State Univ. East Lansing, MI	86-CRSR-2-2758	8601801	$87,216	04/15/86	04/30/87	An Integrated Approach to Blueberry Virus Disease Control

TOTAL $87,216

PROGRAM AREA: TCK SMUT (WHEAT)
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Montana State Univ. Bozeman, MT	86-CRSR-2-2753	8601491	$55,369	04/01/86	03/31/87	Research for Controlling Dwarf Smut (TCK) in Hard Red Winter Wheat in Montana
Utah State Univ. Logan, UT	86-CRSR-2-2768	8602221	$39,020	07/01/86	06/30/87	Control of Dwarf Bunt (TCK) of Wheat Through Breeding Resistant Varieties

TOTAL $94,389

PROGRAM AREA: TROPICAL AND SUBTROPICAL RESEARCH
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
Univ. of Florida Gainesville, FL	83-CRSR-2-2080	8600635	$30,000	01/01/83	12/31/86	CBAG Management Grant for Tropical and Subtropical Agriculture

TOTAL $30,000

PROGRAM AREA: INTEGRATED PRODUCTION SYSTEMS, OK
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
Oklahoma State Univ. Stillwater, OK	86-CRSR-2-276	8601804	$225,624	05/01/86	04/30/89	Disease and Insect Control for Horticultural Crops and Christmas Trees in S.E. Oklahoma

TOTAL $225,624

PROGRAM AREA: PRESERVATION AND PROCESSING RESEARCH, OK
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Oklahoma State Univ. Stillwater, OK	86-CRSR-2-2763	8601803	$134,616	07/01/86	06/30/88	Postharvest Treatments to Delay Vegetable and Fruit Deterioration

TOTAL $134,616

PROGRAM AREA: POTATO RESEARCH (EASTERN/WESTERN/MID-WESTERN)
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Univ. of Maryland College Park, MD	84-CRSR-2-2361	8601324	$18,650	05/01/84	04/30/87	Roles of ATP-and Pryrophosphate - Phosphofructokinases in the Selection of Potato Tubers Stored at 1 Degree C.
Univ. of Maine Orono, ME	86-CRSR-2-2762	8601428	$54,407	04/15/86	10/31/87	Genetic Improvement of Potato: Incorporation of Extreme Resistance to Potato Virus X
Michigan State Univ. East Lansing, MI	85-CRSR-2-2562	8602329	$180,357	05/01/85	09/30/87	Improved Production and Utilization Technology for Michigan Potatoes
North Dakota State Univ. Fargo, ND	86-CRSR-2-2764	8601427	$180,357	07/01/86	06/30/88	Alternative Approaches to Potato Ring Rot Research and Varietal Improvement
Cornell Univ. Ithaca, NY	83-CRSR-2-2123	8601323	$53,650	05/01/83	04/30/87	The Development of Potato Varieties Adapted to Eastern U.S.
Oregon State Univ. Corvallis, OR	84-CRSR-2-2397	8601700	$60,000	06/01/84	09/30/86	Potato Varietal Development in Oregon
Pennsylvania State Univ. University Park, PA	85-CRSR-2-2543	8601094	$53,650	03/15/85	03/31/87	Breeding and Evaluation of Russet Potatoes for Production in the Eastern U.S.A.
Washington State Univ. Pullman, WA	84-CRSR-2-2352	8602178	$60,000	03/15/84	09/30/87	Western Regional Potato Variety Development and Improvement
		TOTAL	$661,071			

PROGRAM AREA: ASPRAGUS YIELD
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Michigan State Univ. East Lansing, MI	84-CRSR-2-2353	8602181	$90,060	03/15/84	03/31/87	Asparagus Decline Syndrome and Replant Problem in Michigan

TOTAL $90,060

PROGRAM AREA: BIOCONTROL OF GRASSHOPPERS, KS
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Kansas State Univ. Manhattan, KS	84-CRSR-2-2345	8601695	$45,504	02/01/84	07/31/87	Development of *Entomophaga grylli* for Biological Control of Grasshoppers

TOTAL $45,504

PROGRAM AREA: WOOL RESEARCH, TX
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Texas A&M Univ. College Station, TX	85-CRSR-2-2550	8601148	$134,616	09/01/85	08/31/87	Research with Wood and Mohair

TOTAL $134,616

PROGRAM AREA: CRANBERRY/BLUEBERRY DISEASE
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD		TITLE
				FROM	TO	
Rutgers, The State Univ. New Brunswick, NJ	85-CRSR-2-2540	8601430	$90,060	02/15/85	02/28/87	Sheep Pen Hill and Red Ringspot Diseases of Blueberry and Their Control

TOTAL $90,060

PROGRAM AREA: ALTERNATIVE CROPPING SYSTEMS IN S.E.
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
Clemson Univ. Clemson, SC	85-CRSR-2-2541	8601701	$270,180	03/01/85	02/20/88	Agricultural Adjustment in the Southeast through Alternative Cropping Systems

TOTAL $270,180

PROGRAM AREA: MAPLE RESEARCH, VT
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Univ. of Vermont & State Agric. College Burlington, VT	85-CRSR-2-2564	8601284	$90,060	06/01/85	05/31/88	Water Stress Physiology of Maple Trees

TOTAL $90,060

PROGRAM AREA: APPLE QUALITY RESEARCH, MI
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
Michigan State Univ. East Lansing, MI	86-CRSR-2-2766	8602203	$90,060	04/15/86	04/30/87	Apple Quality Improvement Through Production, Storage and Distribution Technology

TOTAL $90,060

PROGRAM AREA: PLANT STRESS, NM, CA,TX
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	TO	TITLE
New Mexico State Univ. Las Cruces, NM	86-CRSR-2-2748	8601296	$270,180	03/01/86	09/30/87	Southwest Plant Genetics/Water Resources Consortium
			$270,180			

PROGRAM AREA: STORES GRAIN INSECTS, KS
PUBLIC LAW 89-106--SPECIAL RESEARCH GRANTS PROGRAM
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
Kansas State Univ. Manhattan, KS	86-CRSR-2-2754	8601075	$270,180	04/01/86	03/31/87	Management of Stored-Grain Insect Problems

TOTAL $270,180

PROGRAM AREA: GULF COAST SHRIMP AQUACULTURE
FEDERAL ADMINISTRATION DIRECT APPROPRIATION
FISCAL YEAR 1986

ORGANIZATION	GRANT NUMBER	PROPOSAL NUMBER	TOTAL	AGREEMENT PERIOD FROM	AGREEMENT PERIOD TO	TITLE
The Oceanic Institute Waimanalo, HI	85-CRSR-2-2537	8600644	$699,865	01/01/85	06/30/87	Marine Shrimp Farming
Gulf Coast Research Laboratory Ocean Springs, MS	85-CRSR-2-2538	8602177	$484,068	01/01/85	12/31/86	Marine Shrimp Farming

TOTAL $1,183,933

INSPECTION SERVICE

Mr. WHITTEN. Please provide for the record a table which show the geographic impact and the estimated annual losses for each APHIS project proposed for termination or decrease in Fiscal Year 1987.

[The information follows:]

Plant disease and Pest Control

Program	Geographic Impact	Current Losses/Comments
Agricultural Quarantine Inspection	Nationwide (U.S. ports-of-entry)	AQI prevents harm to the multimillion dollar U.S. agricultural industry, and promotes U.S. agricultural exports valued at $31.2 billion (1984).
Biocontrol	Nationwide	Alfalfa weevil is established throughout the United States with annual losses estimated to be $250 million. Silverleaf nightshade infests approximately 3 million acres in Texas with losses estimated to be $20 million annually. Diffuse and spotted knapweed destroys beneficial native grazing forage with losses in Montana alone estimated to be $4.5 million.
Boll weevil	Southern and Western States	Losses due to boll weevil throughout its range are estimated at $500 million annually.
Golden Nematode	New York	Negligible.
Grasshopper	Midwestern and Western States	Highly variable; depends upon size of infestation and nature of cropland infested.
Gypsy Moth	Northeast, South, other isolated areas in the United States	Losses in commercial timber in the generally infested Northeast have ranged from $6 million to $486 million in recent years.
Imported fire ant	Southeastern States	$48 million.

International Programs	Worldwide	Works to prevent the introduction of plant and animal pests and diseases into the U.S. through liaison and exchange of information with foreign officials. Facilitates the entry of U.S. agricultural products into international markets.
Mediterranean fruit fly	Central America	Potential losses to a variety of fruit and vegetable crops from reinfestation in the United States have been estimated at $2 billion annually.
Mexican fruit fly	Rio Grande Valley of Texas and Northwest Mexico	Mexfly affects a wide range of hosts, including mangoes, peaches, pears, apples, and grapefruit. It is a potential threat to the U.S. citrus industry valued at $2 billion annually.
Miscellaneous Pests--Japanese Beetle	Eastern States	Potential losses to western States are estimated at over $60 million annually.
Noxious Weeds	Nationwide	$13 billion based upon current APHIS staff estimates.
Pest Detection	Nationwide	Works to detect new or exotic agricultural plant pests and pathogens. Survey important endemic plant pests and diseases that require action programs.
Pink Bollworm	Southwestern States	$69 million, based upon current APHIS staff estimates.
Witchweed	Carolinas	Currently negligible; potential loss of $980 million annually plus an estimated 10% loss in yield ($2.3 billion).

Animal Disease and Pest Control

Program	Geographic Impact	Current Losses/Comments
Animal disease detection	Nationwide	This program is not disease or pest specific; instead, it provides protection against all animal diseases and pests. Potential losses that would be caused by the entry of foreign animal diseases or pests are estimated at $4.3 billion annually. Current losses caused by domestic diseases are estimated at $17-20 billion.
Animal health compliance and enforcement	Nationwide	This program is not disease pest specific; instead, it provides protection against all animal diseases and pests. Potential losses that would be caused by the entry of foreign animal diseases or pests are estimated at $4.3 billion annually. Current losses caused by domestic diseases are estimated at $17-20 billion.
Animal welfare	Nationwide	Quantitative estimates of losses due to the inhumane treatment of animals (e.g. pain or suffering) are unavailable. Losses in the absence of a Federal program would depend upon the ability of States and humane societies to assume responsibility for the program.
Brucellosis	Nationwide concentration in Southeast States	$25.6 million.
Cattle ticks	Texas, Puerto Rico	$275.7 million
Foot-and-mouth disease	Colombia, Panama	No current losses in U.S.; estimated losses if FMD enter the U.S. for a 15-year period are estimated to be $12 billion.

Horse protection	Nationwide	Quantitative estimates of losses due to the inhumane treatment of horses are unavailable. Losses in the absence of a Federal program would depend upon the ability of States and humane societies to assume responsibility for the program.
Import-export inspection	Nationwide	This program is not disease or pest specific; instead, it provides protection against all animal diseases and pests. Potential losses that would be caused by the entry of foreign animal diseases or pests are estimated at $4.3 billion annually. Current losses caused by domestic diseases are estimated at $17-20 billion.
International Programs	International	This program is not disease or pest specific; instead, it provides protection against all animal diseases and pests. Potential losses that would be caused by the entry of foreign animal diseases or pests are estimated at $4.3 billion annually.
Miscellaneous animal diseases	Nationwide	$2.5 million due to Scrapie, $15.3 million due to scabies.
National poultry improvement plan	Nationwide	$150 million due to Mycoplasmosis, $1.2 billion due to salmonellosis.
Poultry diseases	Northern and Central States	$150 million due to Mycoplasmosis, $1.2 billion due to Salmonellosis.
Pseudorabies	Northern States primarily, some in Southeast and Central States	$20 million.

Screwworm	Southern Mexico and Central America	The screwworm has been eradicated from the United States and northern Mexico. Potential losses from reinfestation in the United States have been estimated at $400 million annually.
Swine health	Nationwide	This program, which requires the cooking of all garbage, is designed to prevent the entry of foreign diseases into the United States. Potential losses that would be caused by their entry are estimated at $4.3 billion annually.
Tuberculosis	Nationwide	Unavailable.
Veterinary biologics	Nationwide	This program is not disease or pest specific; instead, it provides protection against all animal diseases and pests. Current losses caused by domestic diseases are estimated at $17-20 billion.
Veterinary diagnostics	Nationwide	This program is not disease or pest specific; instead, it provides protection against all animal diseases and pests. Potential losses that would be caused by the entry of foreign animal diseases or pests are estimated at $4.3 billion annually. Current losses caused by domestic diseases are estimated at $17-20 billion.

Program	Geographic Impact	Current Losses/Comments
Animal damage control	Nationwide	ADC works to resolve wildlife conflicts with livestock, crops, human health, private property, industrial facilities, airport operations, and range and forest resources. Past estimates have placed yearly livestock losses due to coyotes at $39 million, crop losses due to birds at $65-116 million, and aircraft damage due to birds at $16-40 million. To develop more accurate loss estimates, APHIS plans to conduct a survey of depredating animal populations and agricultural losses due to depredating animals.

FOOD AND NUTRITION PROGRAMS

Mr. WHITTEN. The 1987 budget for the Food Stamp Program proposes to hold States liable for the dollar value of erroneously issued benefits above a tolerance level of 5 percent. Please provide for the reocord a list of States presently exceeding the tolerance level, showing the percentage by which they exceed the level.

Secretary LYNG. The latest available data is for FY 1984. In that year the national overissuance error rate was 8.6 percent. Forty-seven States, the District of Columbia and the Virgin Islands had overissuance rates greater than five-percent. Three States (Hawaii, Nevada, and South Dakota) and Guam had overissuance error rates less than five-percent. You should note, however, that recent years have shown a reduction in overissuance error rates. We expect that trend to continue. Therefore, error rates should be even lower in FY 1987.

Mr. WHITTEN. The Administration is proposing the repeal of serveral provisions of the Food Stamp Program enacted under the Food Security Act of 1985 which would expand eligibility for the program. By how much will each of these provisions extend eligibility?

Secretary LYNG. The only provision that will have a measurable affect on participation is the increase in the assets limits. We estimate that the provision will increase participation by about 100 thousand or about one-half-of-one-percent of the entire caseload.

Mr. WHITTEN. If the provisions are not repealed, what will be the net effect on a typical household participating in the program?

Secretary LYNG. If these provisions are not repealed they will increase the average monthly benefit by between 50 cents and 60 cents per recipient when they go into effect on May 1, 1986.

Mr. WHITTEN. You are also proposing to eliminate the cash and commodities subsidies for meals served to non-needy children in the school lunch, school breakfast, and child care food programs. By how much would this proposal increase administrative costs of the schools or other institutions participating in the program?

Secretary LYNG. The Department does not expect school's and other institutions' administrative costs to be increased by the elimination of cash and commodity subsidies for meals served to non-needy children.

Mr. WHITTEN. What is the estimate of the number of schools that would terminate their feeding programs if this proposal were to take effect?

Secretary LYNG. The Department does not expect schools to drop out of the National School Lunch Program if the proposal to eliminate benefits to non-needy students is enacted. First, most non-needy children now purchasing meals will probably continue to do so. Last year the average price of a school lunch is estimated to have about 85¢. Since the benefit reduction would increase the price by, at most, 25¢ the new price would be about $1.10 per meal. We believe the school lunch would continue to be a good value compared to the price of alternate lunches of comparable nutritional value. Second, because most schools would retain most of their subsidies, and we believe they would elect to stay in the program.

EMBARGO STUDY

Mr. WHITTEN. The Department has underway a study on the impact of embargoes. Would you please provide for the record a detailed report on how the study is being conducted and what the progress has been?

Secretary LYNG. The Department, in order to bring the broadest range of points of view and the best possible analytical talent on this problem, has constituted a team of USDA and university economists. Multiple analytical approaches have been used including simulation modeling, statistical analysis of historical data, and interviews of policy officials to reconstruct actual policy responses in the United States and competitor countries.

The principal focus of the study is on grains and oilseeds, with limited coverage of other commodities. A detailed project outline has been agreed upon and participants are actively pursuing the research on the individual subprojects. A complete first draft will be completed in June, with July-September devoted to critique, redraft, and further review, and the final manuscript will be published by September 30, 1986.

The organization and management of the project is outlined below. Several other prominent agricultural trade researchers are also contributing to the analysis:

Overall Project Leadership—Coprincipal Investigators:
Kenneth Clayton, Director, National Economics Division, Economic Research Service, USDA
Alex McCalla, University of California, Davis, and Chair, International Agricultural Trade Research Consortium
Kelley White, Director, International Economics Division, Economic Research Service, USDA
Project Steering Committee:
Alex McCalla, Chair, University of California, Davis
Phillip Abbott, Purdue University
David Blandford, Cornell University
Kenneth Clayton, Director, National Economics Division, Economic Research Service, USDA
Milton Ericksen, National Economics Division, Economic Research Service, USDA
James Houck, University of Minnesota
William Kost, International Economics Division, Economic Research Service, USDA
William Meyers, Iowa State University
Phillip Paarlberg, Purdue University
Kelley White, Director, International Economics Division, Economic Research Service, USDA
Other Participants Include:
Jimmye Hillman, University of Arizona
James Jones, University of Idaho
Tim Josling, Standford University
Richard Kennedy, International Economics Division, Economic Research Service, USDA
Patrick O'Brien, Deputy Associate Administrator, Economic Research Service, USDA
Michael Price, National Economics Division, Economic Research Service, USDA
Gerald Rector, International Economics Division, Economic Research Service, USDA
Robert Reinsel, National Economics Division, Economic Research Service, USDA
Edward Rossmiller, Resources for the Future
Rachel Sarkos, Resources for the Future
Andrew Schmitz, University of California, Berkeley
Nancy Schwartz, American University
Vernon Sorenson, Michigan State University

Jerry Sharples, International Economics Division, Economic Research Service, USDA

Ann Tutwiler, Resources for the Future

Kathryn Zeimetz, International Economics Division, Economic Research Service, USDA

James Zellner, National Economics Division, Economic Research Service, USDA

The following is an outline of the study:

Chapter 1. Introduction: mandate, objectives, scope, approach.

PART I—THE ECONOMIC SETTING AND ANALYTICAL CHALLENGE

Chapter 2. The evolution of U.S. agriculture and U.S. policy.

Chapter 3. The nature and changing structure of world agricultural trade.

Chapter 4. The impact of changes in the domestic and international economic environment on U.S. agriculture.

Chapter 5. Policy interdependence and country response.

Chapter 6. The analytical challenge.

PART II—TRADE EMBARGOES

Chapter 7. Introduction and history of U.S. embargoes since 1970.

Chapter 8. Review of conceptual, theoretical, and empirical analysis.

Chapter 9. The U.S. policy response.

Chapter 10. Foreign country policy responses.

Chapter 11. Analysis of general embargoes: the 1973/1974/1975 cases.

Chapter 12. Analysis of targeted embargoes: the 1980 case.

Chapter 13. Overall impacts of embargoes on U.S. agriculture.

PART III—SURPLUS DISPOSAL AND EXPORT SUBSIDIES

Chapter 14. Introduction, history of export surplus disposal programs, and policy options authorized for CCC.

Chapter 15. Review of conceptual, theoretical, and empirical analysis.

Chapter 16. Empirical analysis: grains and oilseeds.

Chapter 17. The special case of dairy surplus disposal.

Chapter 18. Overall feasibility of surplus disposal and export subsidy.

PART IV—BROADER ANALYSIS AND CONCLUSIONS

Chapter 19. Simulating alternative macroeconomic scenarios.

Chapter 20. Summary and conclusions.

The project steering committee has met on a regular basis to guide the overall research direction and to review preliminary drafts of the individual project components. As of May 5, 1986, draft manuscripts have been completed for chapters 2, 3, 4, 7, 8, and 15. Preliminary empirical analysis and simulations have been carried out, and portions of the empirical chapters (chapters 11, 12, 16, and 19) have been prepared. The empirical work is currently being extended and revised. The outline of chapter 17 on dairy surplus disposal has been approved and work is currently underway on the analysis of the dairy sector. Essentially all the interviewing that supports the analysis of the U.S. and foreign country responses to trade embargoes, as well as export promotion programs (chapters 9-10), has been completed and drafts of the results are currently being prepared.

The project is still reasonably consistent with the original time schedules established. The next steering committee meeting will be June 5-7, 1986.

EXTENSION SERVICE

Mr. **Whitten**. The 1987 budget proposes reducing the Extension Service budget by approximately 60 percent, assuming that States and local governments would assume more of the financial responsibility for supporting these programs. Transferring the financial responsibility of many programs to State and local governments seem to be a theme of this budget. How much additional responsibility do you think the States and local governments can absorb, particularly when several States are experiencing extreme financial stress?

Secretary LYNG. You are correct that transferring responsibility for certain programs to state and local governments is a theme of the President's budget. This is a government-wide objective which is discussed in a book entitled "Major Policy Initiatives" which was issued as part of the President's budget materials. While some States may be having financial difficulties the Federal government with its high deficits and the new Gramm-Rudman Legislation has a special need to reduce its financial commitments.

Mr. WHITTEN. The Extension Service states that it will continue to address high priority national concerns, such as restoration of profitability to agriculture, management of natural resources and rural development. If the Administration considers rural development a high priority national concern, why is it recommending termination of all rural development programs?

Secretary LYNG. The government is continuing to spend large amounts of money in rural areas including record levels of spending under the commodity price support programs. It is true the housing and rural development programs of the Farmers Home Administration (FmHA) are recommended for termination. This is simply a case of hard decisions which must be made to reduce the Federal deficit and belief that some assistance in these areas can be provided by other Federal agencies or through local initiatives.

Mr. WHITTEN. Mrs. Smith.

Mrs. SMITH. Thank you, Mr. Chairman, and welcome Mr. Secretary. Welcome, Mr. Thompson and Mr. Dewhurst.

First, I want to say how much we appreciate you being here this morning, Mr. Secretary, and appearing before our subcommittee. I want to thank you for coming to our Third Congressional District out in Nebraska and giving our producers the opportunity to talk with you firsthand about many of the problems that are facing them. I want you to to know that my constituents appreciate and continue to appreciate this just as I do.

Also, I want to thank you for your decision to make the long overdue payments to our sugar producers available out in our areas where the Great Western Sugar bankruptcy has caused us so many problems.

Now, Mr. Secretary, I have two pages of questions. My questions all deal with problems in the handling of the new farm bill as they are brought to me in my district. I would like to touch on just four that are very prevalent problems.

I get many question about the fact that there are changes in the rules under which the $50,000 payment limitations will apply to more than one family. For instance, last year, an owner could get the $50,000 and the renter could get it, or last year one family in a family corporation could get it and the others could get it. This year they can't.

FARM CREDIT PROBLEMS

I sent you last week, a typical letter from my district which I hope you have had the opportunity to look at, which really spells out the problem very well. This is a letter from one of our long time top quality families. He says if this can't be straightened out, they are going to have to quit farming. You know, Mr. Secretary, when folks like this have to quit farming, then we are in a very, very serious situation.

This family was advised by their local bank in March that they would have to change their farming operations to make the cash flow. So they made a change. They went to the bank, the bank approved, the landlord approved it, they went to the ASCS in the county on the 27th of March and ASCS said it was good planning, they approved it. The 28th of March, my constituent, who is on the Federal Meat Export Board, went on a mission to Japan, a trade mission, and when he came back on the 11th and appeared at the county office they advised him that the state office said that with the new plan they could have only one $50,000 payment, between him, the landlord and the renter. Now, under this, they can't get the farm to cash flow and they can't qualify for the payment.

Also, he was advised by the ASCS office that the opportunity for an alternative plan had gone because it had to be in by April 1st.

Mr. Secretary, could this in some way be clarified in principle so it won't cause injustice and so many difficulties? I talked with our ASCS Director about this problem, and he assured me that it is very difficult to administer. It has to be administered, as best he can, on a case by case basis. I would appreciate your comment on it.

Secretary LYNG. Yes. The fact is that there has been no change in the regulation or the rules applying to the determination of an eligible farm for the $50,000 payment limitation. This has gotten a lot more attention this year, the rules applied much more because a much larger portion of the total payment, the total received by farmers will come from the deficiency payments. That is because the maintenance of relatively high target prices with a lower loan makes deficiency payments much larger. So that a smaller acreage will buffer up against that $50,000 payment limitation.

In the case that—you did send us a copy of that letter—and there is a rule that has been there all the time, it has not changed. There must be a substantial change in the farming operation to justify an additional person. The same people working the land with the same equipment as the previous year, is not a substantial change.

This gentleman was changing the lease arrangements in order to establish that there were two farms and therefore, be eligible for two payment limitations. We made no change in our rules, but the ASCS judged that was a violation and that also applies to custom farming, and he was also involved in that. Custom farming is performed for an operation in which custom farmer had an interest in the entity performing the custom farming, an individual or entity for whom the custom farming is performed are considered one person. In other words, you can't split it up and make two farms out of it. We think that was consistent with the intent of the Congress in the law.

Mrs. SMITH. Mr. Secretary, had your county committees not been advised at the time they told him that it was all right, he was eligible for two payments?

Secretary LYNG. Well, that I can't say. We have made no change this year in this procedure.

Mrs. **Smith**. Is there flexibility so that when he was told one thing, on the 27th of March and then told that he couldn't come up with an alternative plan because he didn't have it by April 1st, could we stretch the time limit and can we give him some individual flexibility to give him an opportunity to continue farming?

Secretary **Lyng**. I really can't answer that. We did extend the time for these adjustments to be made. I think it was one of the first decisions I made when I came in early March. But I would have to look into it to see if there is any specific change that can be made. It would be difficult I think to make that kind of exception.

Mrs. **Smith**. Perhaps we can talk about that another time, and I appreciate your answer.

FARM OPERATING CREDIT

Now, another question. This is a very prevalent issue and our chairman touched on it a while ago. It seems that Farmers Home Administration has some new national policies which make it impossible for many people in my district to qualify for a loan. For example, one of my constituents, a long time manager, qualified for an operating loan last year. He paid it in full. He assumed he could get an operating loan this year, but this year he was advised that no, he didn't qualify for an operating loan because he didn't cash flow his full debt as our chairman commented.

When I spoke with Mr. Clark about this, he said that last year was a continuation policy and he indicated that this year there isn't. You know, I don't quite understand that kind of a decision, because we all know farmers are in a very painful period of transition and you said when you were in our district and gave all of us much hope that in two years things were going to be better. So, I really can't understand why this year we would say no more operating loans, no more chances to have another year of operation, in this period of transition, for people who are struggling to survive and pull out of it in this current economy, even though those folks out there are really in a better position than they were last year when they got the loan.

Could they be administered on a case by case basis so that there would be some flexibility to give these folks who are good people, just needing one more chance for a loan?

Secretary **Lyng**. It is administered on a case by case basis within certain broad criteria that have been established. One of the criteria that has long been part of this is that these are loans, not grants, and when we talk about cash flow, what we are really trying to say is that the person should have an opportunity, there is a chance of them paying this money back.

These are people who are the bottom end, of course. We always said that they are not credit worthy. That means that they couldn't go to the commercial banks and get loans. If they could, they should do that and not come to the Farmers Home Administration, but at the same time, they are loans. So then, what we have tried to encourage our people to do is to look at those farms and those operators that have a chance to pay these back and to make loans to them when they can.

In the specific instance that you mentioned, I don't know what happened there. I don't know why the decision was made that a year ago he had a chance and this year he does not.

Mrs. **Smith**. That is what I can't understand.

Secretary **Lyng**. We would have to look at this particular situation and circumstance, but the policy, the guideline would be that there should be a chance that the loan would be repaid because otherwise we are just making grants.

Mrs. **Smith**. Mr. Secretary—I am aware that Farmers Home Administration is a lender of last resort. You are saying that you have not changed the policy, that you still try to make the loan for anybody who has a chance to pay.

Secretary **Lyng**. That is right.

Mrs. **Smith**. There is no different policy from last year. You know, it concerned me to hear the Farmers Home Administration director say last year we were on a continuation policy. Are we still on a continuation policy?

Secretary **Lyng**. I am not exactly sure what he meant by continuation, but I do know that we are not only making loans to people that are gilt-edged farmers, we are trying to satisfy the needs of farmers who are not eligible for commercial bank credit or unable to get it for whatever reason, but who have a chance to survive.

Now, sad to say, there are some that are so far in debt and their obligations for debts already incurred makes it virtually impossible for us to make loans to them and have any chance of recovering those loans.

Mrs. **Smith**. But you are still doing it in line with the policy of last year on a case by case basis, and trying to take care of this transition period, helping folks stay in business until it gets better in two years?

Secretary **Lyng**. That is correct.

CATTLE INDUSTRY

Mrs. **Smith**. Now, I hope the next two won't be quite so long and complicated, but of course since the court decision yesterday, our cattlemen are very much concerned and the key question is, can a dairyman still ship to slaughter until such time as he comes up with the new regulations? I was talking with the folks over at the National Cattlemens Association this morning and they said if I was a dairyman I would get all my cows on the market today. What is the answer to that question? If they can still put them on the market then it would be very, very important for you to bring the regulations forth immediately, and not wait until June 1st in order to avoid another catastrophe in the beef cattle industry.

Secretary **Lyng**. Mrs. Smith, I have not had an opportunity to talk to our attorneys other than just briefly with the acting General Counsel this morning. They will be meeting with the attorneys from Justice Department that are handling this case later today. It appeared to me from what I have heard about this that we need some clarification, that the judge's decision that we have heard is not clear as to exactly what we are expected to do.

I understand that there may be a memorandum coming from the judge today. We will make every effort to get this clarified even if that makes it necessary for us to go back and ask the judge some questions. We have, as you know, a contract with 14,000 dairymen, 14,000 individual dairymen, for them to—this we think is in complete accordance with the law—for them to go out of business in this whole herd program. The program includes a requirement that their animals either be exported or slaughtered, and it would be a very complicated and difficult thing for us to cancel all of those contracts. We certainly don't want to get into doing that without having the intentions of that judge made more clear than they are, to me at least, this morning.

Mrs. SMITH. I understand, I hope you can do it with all possible speed. Our beef cattle people can't stand any more downturns in the market.

RELOCATION OF SCS FIELD OFFICES

Now, one last thing I want to bring up this morning. I hope, Mr. Secretary, that you folks will reconsider your decision to move the soil conservation office in Lincoln down to Fort Worth, Texas. This is of a great deal of concern to people in our area. As you know so well from your visits, we in Nebraska and folks in Iowa, are the hardest hit of any area of the country in this agricultural crisis. We feel we need that service there. We think that the quality of the service we get will be greatly reduced if we have to have this office go to Fort Worth.

I have a letter here, Mr. Chairman, in fact two letters from our delegation and from leaders in Nebraska, asking that you reconsider this and I will ask you to reconsider this and I will ask these letters be put in the record.

Secretary LYNG. I will reconsider that at your request.

Mrs. SMITH. You will reconsider.

PAYMENT LIMITATION

Mrs. SMITH. Why is the USDA/ASCS placing such restrictions on the farmers who happen to have a corporation or partnership in which one member may own most of the machinery and land but requires that more than one person provide the labor and management? These farmers cannot help a son or daughter by cosigning a note, renting machinery or land if they have a vested interest in the operation yet the son or daughter can rent land or machinery from a neighbor or dealer and can apply for their own credit if they can find it. The economic conditions in agriculture preclude this type of activity if another generation of farmers is to survive or even exist.

Secretary LYNG. The conceptual approach of the regulations is to limit payments that may be received by a single economic unit. To accomplish this purpose, the regulations define the term "person" in such a way so as to encompass and combine individuals, corporations, and other legal entities which, because of the legal and economic relationship, constitute an individual economic unit.

In a corporation, we do not consider the contributions of the stockholders to the corporation, nor the contributions of the partners in a limited partnership. However, we do consider the ownership percentage of the stockholders or members, their spouses, and minor children.

In a general partnership, the partners' contributions to the partnership have to be commensurate with their claimed share of the proceeds. The contributions consist of capital, land, equipment, labor, and management.

Mrs. SMITH. Farmers who have to change their farming operations because of credit limitations, not related to the ASCS regulations, to survive should not be penalized by limiting them to one $50,000 payment if they once were not limited to one $50,000 payment. This type of activity may push another farmer to the brink of bankruptcy if not into bankruptcy. How and what needs to be done to correct this situation?

Secretary LYNG. In order to be considered a separate "person" for the purpose of the payment limitation, in addition to the other conditions contained in 7 C.F.R. Part 795, the individual or other legal entity must: have a separate and distinct interest in the land or the crop involved; exercise separate responsibility for such interest; and be responsible for the cost of farming related to such interest from a fund or account separate from that of any other individual or entity.

In the application of these regulations, we do not combine a parent and a child for payment limitation purposes when the parent has no interest in the land the child is farming or does not have any other interest in the child's operation. However, if the parent does have an interest in the child's operation this would cause the two individuals to be considered as one "person" for payment limitation purposes.

Mrs. SMITH. There was supposed to be an option for farmers to change their structure in order to meet the new interpretations of the $50,000 payment limit. Could the use of this option be financial suicide and what was the rate of use? Did it apply to all forms of financial structures for example corporations and partnerships?

Secretary LYNG. Payment limitation regulations established under the Agricultural Act of 1970 have remained unchanged except for the percentage of stock ownership and attribution of corporate earnings to stockholders.

In 1971, USDA changed this rule to require that stockholders with at least a 20 percent share in a corporation would have that share of the corporate earnings attributed to the stockholder.

The Congress amended the law in the Agriculture and Consumer Act of 1973 for the 1974 year to require USDA to go back to the original 1970 rule of having a stockholder be combined with the corporation only if such stockholder owns more than 50 percent of the corporation.

Mrs. SMITH. One serious problem with the $50,000 payment limit is the change in the calculation of the limit dollars. The target price remained approximately the same while the loan rate dropped from $2.55 per bushel to $2.40 per bushel. This 15 cent differential is included in the $50,000 limit which can place a much smaller farm into the payment limitation position. If a farmer did not change his operation from last year should he be allowed to receive the same amount of funds as the previous year?

Secretary LYNG. We have recently clarified the rule on financing. In order to meet the definition of a "person" under the payment limitation regulations, a "person" must be responsible for the cost of farming related to the person's interest in the farm from a fund or account separate from that of any other individual or entity. The clarifications that were sent to States and counties were an effort to ensure nationwide uniformity in the application of the rules and provide guidance. We do not believe this clarification constituted a change.

GRAMM-RUDMAN EFFECTS ON SUGAR PAYMENTS

Mrs. SMITH. Are the sugar payments for the Great Western bankruptcy subject to the deficit reduction plan—Gramm-Rudman?

Secretary LYNG. Producers of 1984 crop sugar beets who did not receive their full benefits due under the sugar price support program because of the insolvency of Great Western Sugar Company and Northern Ohio Sugar Company may request the remainder of these payments from CCC. These benefit payments are subject to the 4.3 percent reduction required by the Gramm-Rudman-Hollings Act.

SWITCHING OF SUGAR BEET ACREAGE

Mrs. SMITH. What is being done to resolve the switching of sugar beets acres to corn base acres for those farmers who lost their factories in Kansas, Colorado and Nebraska?

Secretary LYNG. Several provisions in the Food Security Act of 1985 authorize adjustments to be made in the establishment of crop acreage bases in order to ensure that crop acreage bases are established in a fair and equitable manner. Accordingly, instructions were issued to county Agricultural Stabilization and Conservation committees authorizing limited adjustments with respect to the establishment of crop acreage bases. These adjustments are limited in order to be fair to both producers who are expanding their program crop acreage. In accordance with the intent of the 1985 Act, the adjustments were limited to cases in which a producer has changed farming operations in 1985 or before. If a producer switched from producing sugar beets to growing wheat or feed grains in 1985, they may qualify for a limited adjustment. If they propose to change in 1986, there would be no basis on which to make an adjustmemt.

DAIRY TERMINATION PROGRAM

Mrs. SMITH. Would you clarify for the record what the USDA has been doing to correct the problem with the lower beef prices caused by the Dairy Buyout Program? If the regulations for dairy cattle sale distribution are not available until June 1, 1986, won't those dairy men rush to sell their herds before the regulations providing for uniform sales are released causing an even worse situation than the first large price drop?

Secretary LYNG. On March 28, USDA announced both the acceptance of bids under the Dairy Buyout Program and the program provisions for purchasing the 400 million pounds of red meat required by the legislation. In the interim, we have announced an export enhancement program for dairy cattle, an invitation for tender offers from European Community importers on the sale of U.S. high quality beef, and $50 million additional credit guarantees for U.S. breeding stock to Mexico. In addition, we have announced that USDA will supply the U.S. Department of Defense with up to 20,000 metric tons of red meat. We have also announced weekly purchases of red meat under the program which as of April 29 totalled just over 39 million pounds. Finally, we have announced that we will contact program participants to determine the month or months in which they intend to slaughter their cows, heifers, and calves.

As to the second part of your question, the order issued by the court is unclear and it is likely that we will request a clarification and reconsideration of that order. In the meantime, the program is continuing, and the situation you describe is possible. However, we believe that most dairymen have a planned schedule for disposal of their animals and that they will follow that schedule.

SODBUSTER

Mrs. Smith. The sodbuster part of the Farm Bill has caused some problems especially for those farmers who have alfalfa. The farmers who may have been practicing soil conservation compared to a neighbor who row cropped year after year should not be penalized by being allowed only one year to comply while his neighbor has until 1990 to come up with a conservation plan. What can be done to correct this situation?

Secretary Lyng. If a field that was in alfalfa since 1981 is broken up to plant a row crop in the 1986 crop year, the field is subject to the "Sodbuster" provisions of section 1211 of the Act if it is highly erodible. This happens because the only exemption to the provisions of 1211 of the Act is a field that produced an agricultural commodity during the period 1981 to 1985. Alfalfa is not considered an agricultural commodity, i.e., producing a crop by the animal tilling of the soil. However, if the field is farmed under an approved conservation system, the person would be eligible for program benefits. In most situations, where alfalfa is maintained for several years in the crop rotation and then broken up to reestablish by planting a row crop or small grain, the rotation itself would be considered to be an adequate conservation system. Because alfalfa is not considered to be an agricultural commodity, producers do not have until 1990 to develop a conservation plan for the field. If a field of alfalfa is classified as highly erodible, a conservation system must be applied immediately if a person wishes to maintain eligibility.

LOAN APPROVAL POLICIES

Mrs. Smith. The FmHA has a few national policies that may require some revising, such as cash flow and delinquency on notes as the two primary determinates of loan ability. Can this be adjusted to a case-by-case basis in which a farmer's past performance and equity has some bearing on the approval of the loan?

Secretary LYNG. Current FmHA policy requires consideration of a farmer's past performance when a loan approval decision is made. The borrower's actual history is the determining factor when a farm plan is developed. Each case is reviewed individually by the loan officer involved.

There are two instances when the delinquency on existing notes is a determining factor. First, if the delinquency has grown so large that the borrower cannot repay the delinquent loan(s) considering all of the servicing options available, including deferral, disapproval of the loan would result. The other instance would be if the delinquency was not beyond the borrower's control, and as a result of a demonstrated lack of reliability by the borrower, the committee could reject the borrower for failure to meet the requirements.

FmHA has never been an equity only lender, and although there must be adequate security available for the loan, FmHA by regulation cannot approve a loan for which there is collateral but not adequate cash flow for repayment. In equity only lending, the only recourse to collect the loan is foreclosure.

FmHA does not intend to knowingly approve loans which must be foreclosed to be collected, as this is not in keeping with the intent of the program. The intent is to assist farmers when there is a reasonable chance of success.

CARGO PREFERENCE

Mrs. SMITH. Mr. Secretary, we would like to know how you view the Administration's proposal to seek the repeal of the expanded cargo preference requirement enacted as part of the 1985 Farm Bill. As you know, the expanded program increases from 50 percent to 75 percent the amount of specified concessional food programs that must be shipped on U.S.-flag vessels.

Would you explain what effect the Administration's proposal would have on agricultural export programs?

Secretary LYNG. The Administration is intending to repeal the expanded cargo preference requirement to reduce Federal spending and thereby achieve the deficit targets mandated by the Gramm-Rudman-hollings act. The Administration continues to believe that cargo preference should be applied as it was prior to the Federal District Court ruling on the blended credit program, and thus our commercial programs should be exempt from cargo preference requirements. In view of this, repeal of the expanded cargo preference requirement should not have a significant effect on the Department's commercial export programs.

BASE ACRES COMPUTATION

Mrs. SMITH. There is a problem with the change in computing base acres from a 2 year to a 5 year average especially when a farmer recently purchased the land from dryland to irrigated or simply improved property already owned. As you are probably aware land once it has been improved to a greater crop production or to a different crop requires a greater return per acre to pay for the improvements. What can be done to accommodate this situation?

Secretary LYNG. The base adjustment procedure permits limited adjustments in acreage bases to reflect changes in farm operation during the period between 1981 and 1985. The 1985 Act provides that the farm program payment yields for each of the 1986 and 1987 crops of wheat, feed grains, upland cotton, and rice shall be the average of the farm program payment yields for the farm for the 1981 through 1985 crop years, excluding the year in which such yield was the highest and the year in which such yield was the lowest. There is not provision for adjustments to reflect irrigation beginning in 1986.

CANADA FREE TRADE AGREEMENTS TALKS

Mrs. SMITH. Only recently the Administration was allowed "fast track" authority to negotiate a free trade agreement with Canada. Canada ranks near the top of the list of U.S. farm product consumers, and is the largest seller of farm products to this country. Obviously these negotiations could have a major impact on the health and competitiveness of our agriculture economy. What steps are you taking, or will you take, to ensure that agricultural interests are adequately represented in the negotiations?

Secretary LYNG. With respect to the upcoming Free Trade Agreement meetings with Canada, agriculture has been and will continue to be represented on the interagency working group as well as interagency meetings at all other levels. The USDA has played an active role in preparing for these talks, making certain that agricultural issues and U.S. agricultural concerns are noted and properly addressed. To ensure that private sector interests are fully considered, we have used and will continue to use the established trade advisory committees to obtain the views and concerns of the U.S. agricultural community, not only for the FTA negotiations, but for all issues relating to agricultural trade negotiations.

THE NEW ROUND OF GATT TALKS

Mrs. SMITH. Later this year the Administration will be coming to Congress seeking a mandate with which to enter a new round of GATT talks. Do you feel that the Department of Agriculture has adequate access to the discussions formulating U.S. strategy for these talks?

Secretary LYNG. The Department of Agriculture has always had access to discussions formulating U.S. strategy for the new round of GATT talks. We have taken a lead in developing U.S. positions on agricultural aspects of the new round, and have participated in discussions on all other negotiating issues. In particular, USDA has been involved in preparing U.S. options and recommendations for discussions in the GATT Committee on Trade in Agriculture (CTA) and in the work of the MTN Preparatory Committee.

Work has been underway in CTA since it was established in 1982 to develop approaches for liberalizing agricultural trade in the new round. We have participated in all CTA meetings, and contributed heavily to the CTA's recommendations, adopted in November 1984, regarding agricultural negotiating objectives to be considered by the GATT. The CTA has focused on improving GATT rules and disciplines on market access and subsidies, and on eliminating agricultural export subsidies.

In November 1985, GATT countries agreed to establish a formal Preparatory Committee to work out the scope and procedures for a new round which is expected to be launched at a GATT Ministerial in September. A major issue for the Preparatory Committee will be how agricultural issues should be handled in the new round taking into account the work of the CTA. We are working closely with other agencies to prepare strategies for the Preparatory Committee, including the need to obtain significant movement toward freer trade in agriculture and the removal of foreign trade distorting practices.

INCOME ALTERNATIVES FOR FARMERS

Mrs. SMITH. Mr. Secretary, I recently spoke with Chuck Schroeder, Director of the Nebraska Department of Agriculture, and Molly Anderson, Director of the Greater Nebraska Job Training Program, regarding Title XIV, Section 1440 of the 1985 Farm Bill. This provision was offered as an amendment by my good friend, Mr. Coleman of Missouri. Section 1440 of the Farm Bill amends Section 502 of the Rural Development Act of 1972 to authorize special grants for programs to develop income alternatives for farmers who have been adversely affected by the current farm and rural economic crisis and those displaced from farming.

There is no doubt programs of this nature are desperately needed during these hard times in the farm sector. As such, I would appreciate it if the Department would provide for the record a discussion of Section 1440 of the 1985 Farm Bill.

Secretary LYNG. Section 1440 directs the Secretary to provide special grants for programs to develop income alternatives for farmers who have been adversely affected by the current farm and rural economic crisis and those displaced from farming.

Assistant Secretary Bentley has met with Nebraska Agriculture Director Charles Shroeder and Molly Anderson, Director of the Greater Nebraska Job Training Program to discuss the Nebraska farmer/job retraining program. The current program has been funded in part by a one-year grant from the U.S. Department of Labor. The Nebraska Cooperative Extension Service has been supportive of the State program. The Nebraska program according to Director Shroeder, has succeeded in attracting a large measure of private sector support in the effort to retrain farmers for off-farm jobs. No funds have been appropriated to implement the provisions of Section 1440.

Mrs. SMITH. Mr. Chairman.

Mr. WHITTEN. Mr. Akaka.

Thank you very much, Mr. Secretary, it is good to have you here on the Hill. I want to add my congratulations and best wishes to you.

Secretary LYNG. Thank you.

SUGAR PROGRAM

Mr. **Akaka**. We know that the agriculture community is facing huge challenges and I know with your experience you can certainly meet the challenges that are ahead of us.

I want to speak and ask questions about only one thing—that is about sugar.

Mr. Secretary, your department, as we know, has primary responsibility of administering the sugar program and recommending sugar quotas. For three years, since 1981 to 1984, the sugar program did not cost the government one cent. It was administered by the USDA according to the law, and not one penny was expended by the Federal Government to support sugar. As we all know, on September 13, 1985, a quota was announced which was 600,000 tons greater than our domestic sugar requirements. At our hearing last week, the Assistant Secretary admitted that the quota announced last September was 600,000 tons too high, and that this has already cost the Treasury $100 million. If a realistic quota had been established last September, of course we would have saved $100,000,000.

To give you an idea just the September quote was off the mark, 600,000 tons represented one-third of the entire sugar quota. Since last September, we have enacted a new farm bill, and Congress strengthened the requirements that the program be operated at no cost, as you know. The new legislation provides that the President shall use all authorities available to operate the sugar program at no cost to the Federal Government by preventing accumulation of sugar acquired with the Commodity Credit Corporation. Essentially section 902 requires that a quota be established which results in no cost to the government.

Mr. Secretary, I was pleased to see the Administration's recent announcement on February 27th, that you intend to comply with section 902 of the 1985 farm bill and the recent announcement to extend sugar quotas for three months is a step I feel in the right direction. I hope this is a sign that the Administration is adopting a more favorable attitude toward the domestic sugar program.

Mr. Secretary, as I have said, you play a central role in the sugar program and quotas of the sugar program. Can you assure me that you will do your part to avoid unnecessary expenditures of federal dollars by recommending quotas that are high enough to keep the program operating at no cost?

Secretary **Lyng**. I would like to defer to the testimony already given by Under Secretary Amstutz who is more familiar with this program than I. I think what you really meant, Mr. Akaka, was to keep the quotas low enough, not high enough, and unfortunately, that would perhaps mean virtual elimination of any import quotas. If I were to make a commitment of that today, I would be in deep trouble, as you can well imagine, with some other branches of government.

When the President signed the 1985 Food Security Act, the farm bill, he made a criticism of the sugar legislation and indicated that he would like to go back and ask for some changes in that legislation. I have had some discussions on that with the President and with members of his staff and with our people. We are not quite ready at this point to define what that legislative proposal might be, but we feel obligated to do something about it because under the no net cost provisions, as now contained in the bill, it would virtually eliminate any imports of sugar in time.

Mr. **Akaka**. Mr. Secretary, on February 27th, the department announced that it would extend the quota for three months to comply with section 902. Unfortunately, this week's domestic price is nearly a cent below the market stabilization price for sugar. This is something neither the sugar farmers nor the government, nor the taxpayer wants to see. Can you assure me, if necessary, you will take additional steps to raise the domestic price of sugar above the AMSP so there will be no forfeitures of sugar, hence no cost to the Federal Government?

Secretary **Lyng**. We will be obligated—as I understand the terms of the current bill unless that is changed—to operate a no cost program and we will have no alternative if that is not changed, to substantially or totally eliminate the importation of sugar, perhaps not the next year, but certainly those will be small quotas in some cases.

There are some practical problems involved in that because if you give a country a quota that is less than a shipload quantity, then you have made it very difficult for them to make that shipment. This is a very complicated problem because of the years of importation of sugar into the United States from countries that are very good friends of ours. Now the job of the Department of Agriculture in this is to carry out the farm bill and to the extent that the bill calls for action and is unchanged, we will certainly do that.

Mr. **Akaka**. Mr. Secretary, because of the situation, I would like to ask a question whether there is a possibility of the Administration proposing legislation to amend the sugar program enacted in 1985?

Secretary **Lyng**. Yes, there is a possibility.

Mr. **Akaka**. Mr. Chairman, I have one more question. This has to do with avocados and in Hawaii and the shipment to Alaska and the kind of processing that is going on.

SHARWIL AVOCADO REGULATIONS

Mr. **Akaka**. Mr. Secretary, I am very concerned about recent actions by USDA which have created a crisis for Hawaii's avocado growers.

On November 19, APHIS published a proposed regulation to allow a new variety of avocado—the Sharwil avocado—to enter the mainland without being fumigated for fruit fly. This proposed regulation was the culmination of four years of research and regulatory review of this matter.

Extensive research by the Agricultural Research Service—ARS—has proven that if picked and packed with the stems attached, the Sharwil is not a host for fruit fly. An examination of 38,241 fruits—every Sharwil avocado harvested in the 1984 growing season—showed no evidence of fruit fly eggs.

Hearings were held in Hawaii and in California on the proposed regulations in early January. When I questioned APHIS on these hearings and their proposed regulations during hearings last month, they responded that they are satisfied that "no additional research is required" and "that they have sufficient evidence to determine that the Sharwil avocado is not a host for fruit fly."

What concerns me is that while we are waiting for a final rule to be announced on the Sharwil, APHIS has initiated a second action which has cut off Hawaii's avocados from their most important market, Alaska. On March 24, APHIS announced that they would enforce regulations prohibiting untreated avocados from being shipped to Alaska.

While I am not questioning the propriety of the March 24 decision at this time, the impact of this announcement at a time when no final rule has been granted on the shipment of the Sharwil has devastated Hawaii's avocado industry. While Hawaii's avocado producers can no longer ship untreated fruit to Alaska, the Department continues to delay final action on a rule giving access to Alaska and other markets to a variety of avocado which ARS has proven does not serve as a host for fruit fly.

In short, Mr. Secretary, Hawaii's avocado growers are caught in limbo as a consequence of inaction on one regulation and enforcement of another. Although APHIS reports that it considers the Sharwil regulations to be a high priority, the agency also states that there are many other high priority regulations.

Mr. Secretary, will you review this important matter and consider expediting the issuance of a final rule on the Sharwil avocado?

Secretary LYNG. We understand your concern about the ability of Hawaiian growers to market their product, and we appreciate the opportunity to bring you up to date on the situation concerning the movement of Sharwil avocados to Alaska. As you mention, their movement has not been halted as part of the efforts of our Animal and Plant Health Inspection Service (APHIS) to stop a variety of potential fruit fly hosts, including avocados, from being transshipped to other States from Alaska. While we understand the problems this action has caused for Hawaiian growers, we believe that is necessary to prevent introduction of pests not present on the mainland.

Regarding the proposed rule to allow Sharwil avocados to move to the mainland from Hawaii, APHIS is continuing to study the comments received during the comment period and is evaluating what further action would be appropriate. As you mention, this final rule is a high priority for APHIS. However, because we are presently dealing with other high-priority regulatory actions that are pending, we cannot be certain when a final rule will be published.

Mr. AKAKA. Mr. Chairman.

Mr. WHITTEN. Mr. Traxler.

Mr. TRAXLER. Mr. Chairman, Mr. Secretary, welcome. I wish you every success in your new endeavor. We know this isn't going to be an easy task.

WHOLE HERD DAIRY BUYOUT PROGRAM

Mr. Secretary, it is my understanding that the order that the judge entered in Texas yesterday—this is speculation, I have had some phone calls this morning—provided there would be a 30 day period in which the judge would monitor this situation to see whether or not the department was fully implementing the whole herd dairy buy-out program. Apparently—again this is based on phone calls—there is not an injunction issued at this point in time. There is an opportunity for the department, in the judge's mind, to fully comply with the statutory requirement of the whole herd buyout.

How would you rank the department's efforts in implementing the whole herd dairy buy-out on a scale of one to ten? Where do you think the effort was? Are you feeling comfortable with the kind of beef purchases that were made for instance up to this point in time?

Secretary **Lyng**. Yes sir, Mr. Traxler, I would rate it at about nine and a half, because modesty prohibits my rating it perfectly. I do think we have done a good job on this. We have made record purchases of beef, we have announced some export initiatives for meat, both to the Defense Department and to the private nonmilitary markets. We have a number of other initiatives that we will be announcing as negotiations are completed.

We extended credit to a number of countries like Mexico, Indonesia, and Iraq, to purchase live animals to build their dairy herds. We will be doing that with other countries.

As a matter of fact, we think that the impact of the dairy herd removal on the beef and hog markets will be offset by our actions in the market itself for cows, which is the kind of animals that are most affected, has fully recovered from the early declines in the first few days after our announcement. So I think that we will be able to demonstrate quite clearly that we can carry out the will of Congress. It is a massive program, a huge thing, to remove roughly a million cows from the dairy herd, along with other animals. On the total herd removal, we think that it was, it is a program that Congress clearly wanted done, and we have tried to do it as well as we possibly could.

FMHA OPERATING LOANS

Mr. **Traxler**. Mr. Secretary.

Shifting gears for a moment, moving over to Farmers Home Administration and your situation with your loan account, operating loan monies specifically, in your statement you tell us you have about $1 billion in guaranteed operating loans authority for use. How much money do you have available at this time, in your best judgment?

Secretary **Lyng**. As of May 1st—today—we have approximately $300 million in the direct farm operating loan account and approximately $1 billion in the loan guarantee account available for use during the remainder of 1986.

Mr. **Whitten**. Would you yield?

Mr. **Traxler**. Yes.

Mr. **Whitten**. May I say I pointed out a while ago they have all this money on hand, but when they request it they give it out by dribbles. Where they need $20 million they are sending $3. This is the 1st of May, it is two months later than you should be farming anyway. That is one of the points I raised before the gentleman came in. They have got money but won't send it out. We tried to get from the states how much. They were hesitant to say anything. They are not under civil service. I presume they have the money but won't turn it loose except two bits at a time.

Mr. **Traxler**. Mr. Secretary, at what rate are you spending your direct operating loans money? What would you estimate to be the amount of money that is going out daily for operating loans?

Secretary **Lyng**. Effective today, the rate for farm operating loans is being lowered from nine and a half percent to 8.625 percent. These interest rates are set based upon the cost of money to the Federal Government. Farm operating loans then are 8.625 percent on loans.

Mr. **Traxler**. How many dollars do you anticipate putting out per day now in direct operating loans?

Mr. **Dewhurst**. Mr. Traxler, on the 28th we put out about $15 million. That number has been coming down. Three weeks ago it was averaging about $25 million a day.

Mr. **Traxler**. At what point in time do you anticipate that you are going to run out of operating loan monies?

Secretary **Lyng**. We are hoping that we will have enough to take us at least through the spring planting season. We are not absolutely sure that there will be enough as we get into the winter crops, winter wheat crops, which will be in midsummer.

Mr. **Traxler**. Some farmers were fortunate enough to be able to get to planting this year. There is some question how they are going to harvest and where the operating money will be coming from. I am assuming what will take place, you will exhaust your operating loan monies sometime in the next month or so and for those farmer who got the crops in, and were able to manage that, in a sense by mortgaging the family future in every sense of the word it doesn't look too good for them next July and August and September, does it, in terms of getting some operating money?

Secretary **Lyng**. I would hope that most of the people that work with Farmers Home Administration commitments that were on budget, that included not only the planting cost but harvesting, the production costs through the crop. That would be the proper way to handle these loans and I think that has been done in many instances.

Mr. **Traxler**. I am not sure what the reason for this is. I always like to think the very best of government officials. My father was a rural mail carrier. I was taught government service is second only to the clergy in calling. I always attribute the very best motives to government officials. I must tell you this year I had more complaints, phone calls, letters from my farmers than I have ever had in the 12 years that I have been in Congress. Clearly, there is a real crunch out there on credit and I must also say, Mr. Secretary—I am sure you are aware of this—these are not poor operators. I think any member at this table can tell you, what we are seeing is operators, very capable, very talented people who have been in the business 15 or 20 years or even longer, who are simply caught up in bad times. In the case of the area I represent, take my potato farmers, they have had two years back to back absolutely washed out at harvest time with immense rains and floods, and as a consequence of that, they really are in tough shape.

They can't stand two bad years back to back, and so what we are looking at is nonavailability of credit through the Farmers Home operating system and the inability to make it at the bank. It is really a heart wrenching thing to see these family farmers who have been on that land nearly a hundred years in some instances, now losing the land. And I am sure you must share my frustration, I believe that you must, and I am not sure what the answer is.

I know the chairman has done yeoman service in trying to beef up the Farmers Home Administration operating account. If it is his judgment that the monies that were made available were not adequate and there is a need to put more money in, I make an appeal to you that you would find your way to support these efforts in the Congress to get some more money into the operating loan account.

Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

IMPACT OF RUSSIAN NUCLEAR ACCIDENT

Mr. Secretary, welcome to the committee and I congratulate you upon your selection for the Cabinet position.

Can you tell us this early what impact the Russian nuclear accident will have on the grain market in Europe and other parts of the world especially as it relates to us?

Secretary LYNG. No, Mr. Rogers, there is no reliable information at all on the impact of the Russian nuclear problem. It would, I think, be wrong to suggest various possibilities because it would be pure speculation. To my knowledge, there is no reliable information on the extent of the contamination the percentage of contamination as compared to normal in the air or water or soil. There is no reliable information of the impact that this particular contamination could have on crops or on livestocks.

There is simply no way—I have talked this morning with the experts at the Department who would normally have any information, if information was available. They do know what the wind patterns are, and that has been publicly available. But beyond that, there are no facts that can be used to make any kind of an acceptable value judgment.

Mr. ROGERS. Are we in a position to fill the gap in the market should there be a need for grain or other food products within the Soviet Union or in the markets that they would otherwise be serving?

Secretary LYNG. The total volume of commodities on hand in the United States and elsewhere is sufficient that in spite of anything that might happen within the Soviet Union there would be adequate supplies available throughout the world to take care of that need.

Mr. ROGERS. Are we willing to make those sales if the need develops?

Secretary LYNG. We have been making sales right along to the Soviet Union. We have enjoyed a good volume of business this year on corn and on soybeans and soybean meal. We have not sold very much wheat. They have been buying wheat from Argentina primarily.

We, of course, will be pleased to continue to make those sales. This is the private trade in the United States. This is not the United States Government that makes these sales.

Mr. ROGERS. As I understand it, the Kiev region where this accident occurred, is in the bread basket of the Soviet Union. Is that so?

Secretary LYNG. As I understand it, this plant is at the northern end of a very rich Ukrainian production area.

Mr. ROGERS. And if contamination has occurred, which many of us believe has occurred, then that contamination could last for some period of time as far as food production is concerned. If we do fill the gap and some sales of American grain or other products take place, can our farmers be assured that any long term increases in grain exports will not be disrupted by any future embargos?

Secretary LYNG. Yes, Mr. Rogers, the President has made it abundantly clear in statements that he has made, not just one but a number—one particular statement in 1981 or early '82—that it would be the policy of the United States to not embargo shipments to any country as we did in the case of the Soviet embargo of 1980, and the embargos on soybeans and other commodities in previous years. I will be happy to send you a copy of that statement or have it included in the record if you wish.

Mr. ROGERS. If you would like we would like to have it.

[The information follows:]

[The White House—Office of the Press Secretary]

REMARKS OF THE PRESIDENT TO AGRICULTURAL EDITORS AND OTHER AGRICULTURAL REPRESENTATIVES

The PRESIDENT. Jack, thank you very much, and thank all of you very much and welcome to the White House. It isn't really technically that—I know that there is a street in between but this is part of that same shop over there too.

We are delighted to have you for these briefings and I have been looking forward to meeting you personally. Now I can say that I have met the one group that hears as many complaints as I do. I think it was Thomas Jefferson who said that, "Farmers are God's chosen people," but nowdays they must be asking, chosen for what? I have always thought that when we Americans get up in the morning and see bacon and eggs and toast and milk on the table, we should give thanks that American farmers are survivors. They are the real miracle workers of the modern world. They are keepers of an incredible system based on faith, freedom and hard work that feeds us and sustains millions of the world's hungry as well.

I am told that in 1820 a farm worker produced enough food products for himself and three other people. By 1920 he produced enough for eight people, and now the number that he feeds has risen to seventy-seven. Agriculture has also become one of our biggest employers—the meal ticket for millions of workers from farm suppliers, bankers, hired hands, all the way through the system to supermarket clerks.

In 1981 the $28 billion agricultural trade surplus offset almost half of our petroleum deficit. In fact our agricultural exports account for about 40 percent of the world's total agricultural trade and one fifth of America's merchandise export earnings. This bounty from our nation's farms has been a little too easy for us to take for granted. We have never really had nationwide food shortages. Our share of income spent for food is among the lowest of any nation and our farmers keep on increasing their productivity.

I believe that our administration is lucky to have an Illinois farmer named Jack Block, who never lets me or any member of our Cabinet forget our farmers. Through your group I would like to thank the farmers of America for so strongly supporting our economic recovery program. You know, our plan is a little like farming—you prepare the ground, you plant the seeds, you tend the field and weed it, and then you hope the harvest will bring a bumper crop—in this case for the American economy.

As a part-time rancher myself I share an appreciation for this system. A chance to own your own land, to work it by the sweat of your brow, and take risks for profits. So often we forget the risks they are taking. A drought or a terrible storm is usually little more than a temporary inconvenience for city dwellers. For farmers it can mean a whole year's work and investment wiped out.

Maybe some of you know this story, but I remember when Ezra Taft Benson was Secretary of Agriculture under Eisenhower. He was making a tour of a farm area and in one he was assailed by one particular farmer who just would not stop complaining. He had all sorts of things that were wrong, and the Secretary kind of turned to an aide and looked at some papers and then turned back to him and he said, "Well, now wait a minute. You didn't have it so bad last year. You got 29 inches of rain this last year." And the farmer said, "Yes, I know. I remember the night it happened." [Laughter.]

Right now many of our farmers must be wondering if the sky hasn't fallen. I know that this is an extremely difficult period for them. The U.S. agriculture is in the third straight year—the third year of an economic recession, and a vicious cost-price squeeze, high interest rates, and uncertain markets have combined to erode many farmers' confidence and hopes for prosperity.

I have to personalize and tell you, that cost-price squeeze, I learned a little bit about that one day. I bought a tractor second-hand many many years ago in 1953 for $1200. And it now and then needs a little help along the way, but it is still there and working. But I was tempted, so up came a fellow who said that he would make a good deal, and he did. He offered me $4000 trade-in on that tractor. And this was just recently, and all I would have had to do is give him $13,000 more and I would have had a new tractor. [Laugher.] I know about the cost-price squeeze.

But the tragedy of what is going on right now is that much of this misery didn't have to happen.

I believe the first body blow to agriculture fell in January 1980 when contracts for the sale of our farm products to the Soviet Union were blocked in retaliation for its invasion of Afghanistan. The impact was immediate and severe. Farm prices declined and our entire agricultural marketing system, elevators, barge lines, railways, millers, exporters was disrupted.

According to both private and government estimates, billions of dollars in output and services were lost. Thousands of jobs were lost. And taxpayers immediately had to shell out more than $2 billion to help soften the blow.

Other countries didn't hesitate to increase their production and displace U.S. sales.

No one knows for sure what the ultimate impact of that ill-advised embargo will be because such actions effect trade patterns for years.

Now, it's also worth noting that the Soviets are still in Afghanistan suppressing an innocent people who yearn to be free. And while the Soviets experience some economic problems, that predicted cutback in their meat production never materialized as a result of our action.

By increasing grain imports from other sources, by seeking out meat imports from other countries and by expanding the use of substitute feeds, the Soviets were able to maintain their meat inventories.

Now, don't get me wrong, there may come a day when our national security is threatened and the issue of an embargo is raised again.

In that case, I would not hesitate to declare such an embargo.

Thank you. I never usually do that. But I don't know what's in there right now.

But only if it were part of a complete boycott and if we could have the cooperation of other nations so that we wouldn't end up hurting ourselves with no harm to those we were trying to influence.

I should have waited for a laugh line to do that. [Laughter.] I don't know whether I got any more in here though. [Laughter.]

The botton line is the Soviet embargo was bad for our farmers, bad for our economy, but not that bad for the aggressors we were supposedly going to punish.

On top of the Soviet embargo, farmers were hard hit by the policies of the late '70's that led to sharing inflation and interest rates. Inflation went from 4.8 percent in 1976 to 12.4 percent in 1980. And during that period, interest rates shot all the way up from 6.5 percent to 21.5 percent.

The farmer, like any other small businessman lives or dies on his ability to sustain an adequate cash flow. And when that cash flow is reduced to a trickle by high inflation and interest rates, the farmer sometimes has no option but to shut down his operation.

And to all this, the recent bumper crops, the—we understand why the cost-price squeeze is so bad and threatens to strangle the vitality of American agriculture.

Prices received by farmers have gone up five percent since 1979. Prices paid by farmers have gone up by 25 percent—or 20 percent, I should say—four times as much in this period.

One other problem I didn't mention is that excellent weather overseas has created a large worldwide surplus. The one exception, of course, is the Soviet Union.

You know, I can hardly remenber a year when Soviet harvests were not victimized by bad weather. And I've seen a lot of harvest seasons as I'm constantly being reminded.

And I'm determined to do everything that I can to help our farmers get out of their terrible bind. I've listened, asked questions and probed for answers.

I think we know what needs to be done to get agriculture back on track. One of the first things is to make the federal government get its own house in order so we can reduce its claim on our national resources and end its interference with the marketplace.

That's what our economic recovery program is all about. And let me say again how grateful we've been to receive the strong support of the farm community. In our first 12 months, we've cut nearly in half the growth in federal spending. The inflation rate has dropped to 8.9 percent and since October 1st, it's running about 4.1 percent.

Last year's drop in inflation means that an American family of four earning the median income of $24,000 has $754 more in purchasing power than if inflation had not come down.

Prime interest rates were 21.5 percent, as I said, at the end of 1980. We've got them down by 5 percentage points.

They're still much too high. But if everyone stiffens their spine and does what still needs to be done on spending, we'll bring those interest rates down.

The growth in regulations has been cut by a third. My goodness, I can remember that nest of regulations some years ago, a fellow running an oil station on a chosen route in the East here down to Florida and right around the Mason-Dixon Line. And he had a little patch of—triangle of ground between the—where the driveways and the sidewalk and the street met. So he planted a few cotton bushes in there, and then when he'd see a license plate coming in from up north, he'd give them a cotton boll off one of those bushes as a souvenir of their crossing the Mason-Dixon Line. He was hailed in by the government because he was planting cotton without an allotment. [Laughter.]

Personal and business taxes have been reduced to stimulate savings, investment, work effort and productivity. The provisions for accelerated depreciation will benefit many small enterprises in agriculture. The 25 percent personal rate reduction helps the small firms that pay their taxes by personal rates, not corporate rates. And this is another reason why that personal tax cut must be protected.

One of the features of our tax program that I'm most proud of addresses a special problem for farmers and family-owned businesses. It's not right that widows and children must lose just to pay Uncle Sam what generations of love and toil created. So the estate tax exemption will increase to $600,000 by 1987 and an even greater help, there will be no estate tax for a surviving spouse—the widow or widower.

We know that the federal government also has an important role to play as partner to the farm community. I think the gist of that role is to help the farmer do what he can't do on his own—promote basic research, seek out new markets, counterfeit any—or counter any unfair trade practices of our trading partners, provide a measure of protection from erratic weather and natural disasters, and create the proper environment so the forces of supply and demand can more efficiently allocate resources. We're fully committed to do this.

We have increased the Fiscal Year '83 budget for agricultural research by nearly 3 percent above the inflation rate. We've expanded a federal crop insurance program. We've proposed a $4 million increase in the Department of Agriculture's market development program and recommended that the level of agricultural export credit guarantees be maintained at the highest level in history: $2.5 billion.

We ended the previous administration's Soviet embargo and withstood pressures to impose agricultural trade sanctions during the Polish crisis.

We have also set out a blueprint to challenge unfair agricultural trade practices by Japan and the European Economic Community. We're challenging in the GATT the European Community's open-ended use of export subsidies on certain agricultural products where we feel they've gained an inequitable share of world trade as a result of those subsidies.

We're pressing the Japanese to remove non-tariff trade barriers that prevent us from fully benefiting from our comparative advantage in agricultural production.

A U.S.-Japan working party will meet in Washington the week of April 12th to discuss the GATT consistency of Japan's agricultural quotas with a view toward liberalizing those restrictions.

In the past eight years, our stop-and-go export actions have weakened our reputation as a reputable supplier. If we're to take full advantage of our agricultural resources, we must establish a clear policy for the benefit of our farmers, those who market our crops and those who buy our commodities at home and abroad.

And for this reason, I am presenting today our long-term policy on farm exports. The agriculture export policy of the United States will ensure three essential priorities.

First, no restrictions will be imposed on the exportation of farm products because of rising domestic prices. Farm prices go up and farm prices go down. High prices signal market-oriented farmers to produce more and they will if we allow them to compete freely in export markets. This is bese for everyone from farmer to consumer.

Second, farm exports—as I've already indicated—will not be used as an instrument of foreign policy except in extreme situations and as part of a broader embargo.

Agricultural commodities are fungible; that is, they are easily interchanged for the same commodity from other nations. For this reason the embargo of 1980 was almost totally ineffective, and yet it caused great economic hardship to U.S. agriculture. And we won't repeat such an action.

Third, world markets must be freed of trade barriers and unfair trade practices. We must continue to pursue this objective aggressively. World economic health will be improved and strengthened by freer agricultural trade.

Our great agricultural system must be turned loose to benefit not only Americans but people throughout the entire world. Now, I announce this policy with a great sense of pride—the pride in the accomplishments of U.S. farm families. Adherence to this policy will bring them deserved credits and add to the prosperity of all Americans that enhance the cause of peace throughout the world.

During the first year of our administration, I think we've turned an historic corner. We're ending the destructive inflation and financial disorders of the '70's. We're restoring incentives for personal enterprise. And we've begun to dismantle the regulatory strait-jacket and reverse the dangerous erosion of our military strength.

Our recovery program was passed too late to avert the present painful slump brought about by past pump-priming and those 21½ percent interest rates. There's no quick fix for the economy or for our farmers. Weather will still be a major factor in determining when prices make a recovery. Some farmers will not make it through this difficult period of readjustment. But I think the vast majority will. And they're going to discover a better environment to conduct their business and realize a meaningful product.

I am not going to turn my back on the farmers of America and undo all the good that we've begun to put in place. If we stay on course and shun retreat, we'll bring prosperity back to our farmers and to the nation's economy.

Now, I again thank you very much for coming today and I understand that I'm getting run out of here now for another meeting. But Jack Block is going to stay with you. You might have some questions that you'd like to ask and Jack will take care of that while I move on.

Again, thank you for being here. [Applause.]

TOBACCO

Mr. ROGERS. Let me switch topics now to the upcoming new round of trade negotiations. I am particularly interested in those relating to our friends in the European Community, with tariffs on imported tobaccos and subsidies on their own tobacco amounting in some cases to 80 or 90 cents a pound. Can you give us any help in addressing that problem when those negotiations take place?

Secretary LYNG. As you know, Mr. Rogers, negotiations with the European Community on matters of this kind have not been easy for us and if that situation continues now with the problems we are having with the expansion of the community to include Spain and Portugal, as we move into the multilateral negotiations, I am hopeful that we will be able to get more attention from the Europeans and others, because our new farm law, the farm bill of 1985, has put the United States in a much more vigorous mode in terms of participating in world commerce, particularly with wheat, corn and feed grains, cotton and rice.

We have had more complaints from our competitors that we are being unfair. In the past, we have been holding a price up with our support prices which in fact supported prices for producers all over the world. We have made changes in that and tobacco we have made changes in that, and I think that there is reason to believe that as we move into the multilateral negotiations later this year, that there is a chance that we will be able to get people to come to the table and discuss the establishment of some fair trade rules in a way that we haven't had before. So I would say in summing up that the answer is yes, there is a chance, but I think that we must recognize that it will not come easily.

Mr. ROGERS. I understand.

Also, there have been serious concerns about the barriers to trade imposed by many of our South American friends as they relate to tobacco, especially Brazil. Unfortunately, some of our leaf dealers are concerned that sometimes our trade negotiators were more concerned with promoting good relations than with promoting trade. I wonder what suggestions you might have about ways to keep pressure on our South American friends to reduce those trade barriers? In many cases, they theoretically allow tobacco imports but in practice the licensing requirements actually make it impossible to get in there. What can you do to help us with that?

Secretary LYNG. This type of thing needs to be brought out, put on the table. Nontariff barriers of varying kinds, licensing, permits of one kind or another, just barriers that are quality barriers, are making our trade difficult not only in agriculture but other items and this will be on the agenda for the multilateral negotiations.

I have talked to Ambassador Yeutter, who will head up these matters. As you know, he comes from agriculture. He once served in the Department of Agriculture and has a deep interest in agriculture. I think we are fortunate to have an agriculturist in that position and I am hopeful that we will get rid of some of those nontariff barriers in this round of negotiations.

Mr. ROGERS. I certainly hope so as well.

I have a listing of other concerns that our tobacco leaf exporters have had about barriers to trade. If I send you that list, would you be willing to look at it and see what role the department could play in addressing those problems?

Secretary LYNG. Yes sir, we will be happy to do so.

CUT IN TOBACCO PRICE SUPPORT PROGRAMS

Mr. ROGERS. Let me switch gears a second time. There has been some controversy about whether or not the Gramm-Rudman cut ought to be applied to the upcoming tobacco price support program. In view of the fact that the new tobacco bill that just passed already called for a 16 percent cut in price under the reconciliation bill. Now Gramm-Rudman comes along and theoretically might apply another 4.3 percent to that.

There have been some negotiations and conversations, as I understand it, between the tobacco representatives and USDA officials, to suggest less disruptive ways to meet the Gramm-Rudman requirement. For instance they have suggested a grower assessment fee rather than another reduction in price. I wonder if you had time to digest that proposal and what you might think about it?

Secretary Lyng. Yes, I met with the representatives of the tobacco industry from virtually all of the major production areas. I found their request fair and sensible and would have been very pleased to have been able to accommodate them with the fee. I asked our attorney, to check this out because I would like to do that, if possible. I got a negative answer. They said we simply do not have the legal authority to do that.

You will recall, that in the case of dairy application of Gramm-Rudman to the dairy support price, the Congress took action to impose assessment rather than a 4.3 percent cut. But in the absence of a change in the law, our attorneys said that I could not do that.

Mr. Rogers. Well, that lawyer works for you, doesn't he?

Secretary Lyng. Well, but he is also expected to tell me what the law says.

Mr. Rogers. Thank you, Mr. Secretary.

Mr. Whitten. Mr. Watkins.

Mr. Watkins. Thank you, Mr. Chairman.

Mr. Secretary, welcome, and we should give you congratulations, best wishes, and condolences. I know the next two and a half years in agriculture are going to be some of the toughest. One, I would say we will lose a higher percentage of our farmers on the land than any time in history. We have seen an exodus of many of our farmers over the last several decades but I think there is going to be a greater exodus as we move forward. The only thing worse than Gramm-Rudman is the President's budget for agriculture. I think we can see by the votes in the Senate and the House the majority of members are opposed to the President's proposal.

DAIRY HERD BUY-OUT

I have a number of questions. My first quesiton is on the dairy herd buy-out. It is my understanding the program is drawing down Commodity Credit Corporation stocks and it appears the dairy program is going to cost a considerable amount more than the department had predicted earlier. You just stated that contracts have been entered with 14,000 producers. Do you know how may dollars that would be for the 14,000 contracts?

Secretary Lyng. Yes, it is roughly $1.8 billion.

Mr. Watkins. $1.8 billion?

Secretary Lyng. Yes.

Mr. Watkins. It is my understanding, Mr. Secretary, some of these buy-outs are going to an individual dairyman as high as $5 million. Is that correct?

Secretary Lyng. I haven't seen figures like that, but there would be nothing to prohibit that if they had a production base that was that large.

Mr. WATKINS. It is my understanding some of the large dairy farmers in California are projected to receive millions and some predict it will be close to $5 million.

Could you provide us a breakdown of those 14,000 dairy herd buy-out contracts so the committee might know the amount of dollars being paid to farmers. What amount do you foresee that USDA is going to need to replenish the Commodity Credit Corporation? What is the amount and when?

Secretary LYNG. A number of billions of dollars before the end of this fiscal year, commencing during the month of May.

Mr. WATKINS. So, basically we are talking about May 1. You foresee that probably in this supplemental there has to be certainly a billion more dollars added to it, is that correct?

Secretary LYNG. That is correct.

Mr. WATKINS. So we are going to have to move on that fairly quickly if we are going to meet the needs of these buy-outs and other things that have been directed by law?

Secretary LYNG. That is correct.

FARM CREDIT SYSTEM

Mr. WATKINS. Also, Mr. Secretary, have you looked at the Farm Credit System? It is my understanding that the Wichita Bank is basically bankrupt. So you have an estimation of the financial assistance needed by this bank?

Secretary LYNG. No, Mr. Watkins, I have not. The Farm Credit System is not part of the Department of Agriculture, and I have had a full plate without getting over in their area.

Mr. WATKINS. I understand you would like to dismiss that, Mr. Secretary, but it has a direct impact on USDA. We are dealing with farm credit and we might like to divorce FCS but we can't. I think it would be important for you to know, as well as for us to know, how much is going to have to be brought in to bail them out. I hope you are watching that fairly closely.

Secretary LYNG. Yes. I didn't mean to imply no interest. Obviously it is very important for United States agriculture to have a strong Farm Credit System and we will be working with the people in that Farm Credit System as best we can. The new law that was passed by the Congress late last year has not been fully implemented and until it is, it will be very difficult to get, it seems to me, the kind of information that you would like to have.

As for information that is available, I hope that we will have the kind of relationship with the Farm Credit System so we at least are kept informed. This is a non-government area.

Mr. WATKINS. Right, and the Department of Agriculture has no responsibilities or authorities in that area. However, I believe USDA should be keeping up on a day to day basis on the Farm Credit Systems status.

CREDIT POLICIES

What kind of credit policies are we giving other countries in order to assist them in purchasing dairy herds? If this is disastrous toward their agriculture economy, what kind of credit are we allowing these countries to have? Are we giving them the same credit policy, providing the same credit policy as we are with military weapons?

Secretary LYNG. I can't speak of military weapons, I am not familiar with what credit policies we have on those, but I can tell you what the credit policy is on cows, for example, in Mexico. We have offered $50 million of loan guarantees under the GSM-102 program. These would be three year credits and our guarantees would be for I think 90 percent of the loan balance at a maximum interest rate of six percent.

The lender can charge more than that but we are not guaranteeing repayment of interest higher than that. This type of program works quite well and we have made quite large sums available to Mexico.

Mr. WATKINS. What about other commodities such as grain commodities?

Secretary LYNG. We are using the same program on grains as on breeding stock. Not just the cows that are going now—we are using it, for example, on Holsteins.

Mr. WATKINS. You do not have any policy on military policy and credit?

Secretary LYNG. I won't know what the military policy——

Mr. WATKINS. I would like to ask, Mr. Chairman, if we could get a comparison study between the credit policies of the military weapons and one also on selling agricultural commodities overseas. I think that would be a very enlightening type study. I know you do not have the answers to those kinds of questions, maybe a comparative study should be requested so we could have a better understanding in this matter. It might be revealing.

TONNAGE AND QUOTA ON PEANUTS

I was at a peanut farmers meeting Saturday night and many of them asked me when we are going to know about the policy governing additional quota increases?

We have some farmers who have already planted and they are planting blindly right now as to additional quota peanuts. Could you provide us with the answer later today?

Secretary LYNG. I am not up to speed on that one.

Bob, do you know anything about that?

Mr. THOMPSON. No, I don't.

Secretary LYNG. No.

Mr. WATKINS. Would you mind having someone on your staff try to get that answer to me?

Secretary LYNG. I will speak to Under Secretary Amstutz. It comes under his area, and we will have someone give you a call on that.

Mr. WATKINS. They are in desperate need to know this information. I understand exactly what they are going through. I would appreciate your follow-up.

Would you mind having someone call my office and let me know on that?

Secretary LYNG. We will do that.

RURAL DEVELOPMENT

Mr. **Watkins**. Mr. Secretary, one other phase that is sometimes overlooked, something that is dear to my heart, USDA is charged and mandated with the purpose of carrying out rural development. It seems to me that is completely on the back burner so to speak, in the eyes and minds of a lot of people.

Our farmers are desperate. In much of our areas of this country we are losing main street and we have no commitment to help build the economy and the job opportunities in rural America. As the new Secretary, I would like to ask you if you would elevate that? Many of our people, if they had a job within commuting distance of the farm would be able to stay on that farm and keep their families there. Rural America is being ripped apart at the seams, and we are going to lose that tremendous value that we feel so strongly about.

It is not something I am just emotional about, it is something I have lived with. I have seen it happen in my area of the State of Oklahoma. It seems USDA takes so little concern and places so little emphasis and dollars in trying to see that we carry out a rural economic growth policy in rural areas of this country. What are your feelings on that?

Secretary **Lyng**. I agree with you that there are real problems in rural America. As the budget was developed with the priorities that were made essentially by the effort to get down within the Gramm-Rudman deficit balance, the rural development programs did suffer in the budget that we have submitted.

Mr. **Watkins**. They were suffering before Gramm-Rudman.

Secretary **Lyng**. Yes.

Mr. **Watkins**. Under this Administration.

Secretary **Lyng**. Even worse, Mr. Watkins, because they have been virtually eliminated.

Mr. **Watkins**. It has been worse under the President's budget than what Gramm-Rudman does to them, Mr. Secretary.

Secretary **Lyng**. They have virtually been eliminated.

Mr. **Watkins**. It bothers me a great deal because we are eroding rural America, and we are going to add more to the erosion.

WHOLE HERD BUYOUT

From the withdrawals on CCC stocks for the dairy program, it appears that the dairy program is going to cost considerably more than the Department's earlier estimation. Is that the case?

Secretary **Lyng**. The budget estimated CCC purchases of dairy products at about 11 billion pounds milk equivalent this year. That is still a reasonable purchase number. The added cost to the program is about $600 million in buyout payments since that program will cost about $1.8 billion compared with the earlier budget estimate of $1.2 billion. This payout will be spread over the next 5 years.

Mr. **Watkins**. Do you have a new projection of cost for the program? Can you make an accurate projection as to the cost?

Secretary **Lyng**. We are in the process of ascertaining the payment schedule selected by the program participants. This will enable the Department to project fiscal year costs of the buyout program through fiscal year 1990.

Mr. WATKINS. What kind of sign-up is expected during the next two bid periods?

Secretary LYNG. As I announced on March 28 when the bid results were released, since the targeted quantity of production buyout was achieved, there will be no additional bidding or signup required under this program.

HEPTACHLOR SITUATION

Mr. WATKINS. Does USDA have the authority to transfer funds to the indemnity program to assist farmers that have herds contaminated with heptachlor?

Secretary LYNG. There is authority to reprogram funds internally within a single USDA agency. Since USDA will be providing assistance through ASCS, funds could be transferred from another ASCS appropriated account, if they are available. However, prior to submission of the urgent supplemental April 11, all available ASCS funds were in proposed rescission status. It was considered necessary to request supplemental funding without waiting for congressional action or inaction on the rescission requests. Subsequently, funds for other ASCS programs proposed for rescission were released to ASCS on April 22, 1986. Dairy Indemnity Funding is included in H.R. 4515 currently being considered by Congress.

Mr. WATKINS. Mr. Secretary, isn't it a fact under the law if you proclaimed an emergency status of those affected, that the transfer to funds could take place?

Secretary LYNG. I believe the emergency authority you refer to regards contagious conditions of animals and unfortunately, could not be used for the heptachlor contamination. We have requested ASCS county offices to report by May 12 the actual amount of claims received to date. A determination can then be made concerning the severity of losses incurred to date. The financial losses of the dairy farmers are of utmost concern and we are taking every step possible to see that payments are made in a timely manner, once funds are made available. The urgent supplemental submitted to Congress on April 11 is more effective than reprogramming within ASCS because it contains authority for ASCS county offices, through the use of CCC facilities, to issue periodic checks to farmers for losses incurred each month. Reprogramming is now a viable option if the supplemental funds are not provided in a timely manner, but it will require us to pay all claims by Treasury checks, which require substantially longer processing time.

Mr. WATKINS. Why haven't you done that? I call it an emergency when families affected are literally wondering where the next meal is coming from. We have given them credit. But, they don't want credit they want help because of a situation that is of no fault of their own.

Secretary LYNG. As I have indicated, ASCS funds were not available for reprogramming until April 22. The proposed authority contained in our supplemental request would provide a more timely and efficient mechanism for processing monthly payments over the next year or two. However, if timely action is not taken on the supplemental, reprogramming would now be a viable option.

CONSERVATION RESERVE

Mr. WATKINS. Considering how small the sign-up was during the first bid process for the conservation reserve, there were some obvious problems with the program policy. Are you making changes to attract more participation? If so, what changes are being made?

Secretary LYNG. During the second signup, farmers will be given the choice of either destroying a crop that is already planted on acreage eligible and receiving a rental payment in 1986, or harvesting the 1986 crop and beginning the CRP contract in 1987.

Mr. WATKINS. Was the administration using the first bid period as a trial balloon to see how little they would have to spend to take land out of production? Did you think that farmers would be desperate enough to bid what you have termed to be the right price?

Secretary LYNG. We felt that the majority of the bids received were high when compared to the criteria used in determining maximum acceptable payment rates by pool. Maximum acceptable payment rates were determined by analyzing cropland rental rates by pool for both irrigated and dryland farming. After all bids were received, States were asked to submit their recommendations on maximum payment rates by pool. Discussions were held with some States concerning land values, rental rates, and productivity levels. Some adjustments were necessary to provide continuity between State and county lines and pool boundaries. It was also necessary to keep in mind the effect CRP payment rates may have on rental rates paid by operating farmers in the area. In our judgement, the maximum payment rates established were fair and equitable taking all of these factors into consideration.

VOCATIONAL AGRICULTURE STUDY

Mr. WATKINS. As I understand, a national study has been initiated by the council on vocational and technical education in agriculture and by a joint request from former Secretary of Education Terrell Bell and former Secretary of Agriculture John Block concerning the vocational agriculture system. What is the nature of this study?

Secretary LYNG. The project is assessing the contributions of instruction in agriculture to the maintenance and improvement of U.S. agricultural productivity and economic competitiveness here and abroad. Recommendations will be offered regarding strengthening instruction in agriculture, subject matter and skills which should be stressed in curriculum for different groups of students, and policy changes needed at the local, state, and national levels to facilitate the implementation of new and revised agricultural education programs in secondary schools.

Mr. WATKINS. Who will do the study and at what level of expenditures?

Secretary LYNG. The Board on Agriculture of the National Research Council, National Academy of Sciences currently has a grant to perform this study. The U.S. Department of Agriculture has contributed $100,000 to the study, matching a similar contribution from the Department of Education.

Mr. WATKINS. How long will it take for the study to be completed and what outcome is expected from the study?

Secretary LYNG. The time period for the initial grant will expire on June 30, 1986. We currently have a request pending to extend the time period an additional six months. We expect that the report stemming from this effort will provide a conceptual framework and recommendations for upgrading vocational and technical education programs related to agriculture. The results of the study will be disseminated to a broad audience of agricultural educators and leaders.

Mr. WATKINS. For what purpose will the results be used?

Secretary LYNG. We anticipate that the results of this study will serve as the basis for upgrading vocational and technical education programs related to agriculture in secondary schools and, thus, improve the ability of secondary students to pursue food and agricultural careers.

Mr. WATKINS. What approach is being taken by the USDA in encouraging young people to explore careers in agriculture production or business?

Secretary LYNG. We in the USDA are supporting a myriad of programs and activities to improve the public awareness and knowledge of career opportunities for graduates of higher education in the food and agricultural sciences. Some of the efforts we have supported are:

1. Establishment of a National Network to attract outstanding young students to careers in agriculture.
2. Development of a national model for improving student recruitment strategies.
3. Continuing statistical assessment of employment opportunities and enrollment trends in the food and agricultural sciences.
4. Development and dissemination of interesting literature detailing exciting opportunities for graduates of higher education in the food and agricultural sciences.

Mr. WATKINS. What short and long-range plans does the department have for retention of farm youth to agriculture and related fields?

Secretary LYNG. Because of changing population demographics and the fact that less than three percent of our population are involved in farming, per se, it is becoming more and more apparent that colleges of agriculture must take steps to recruit and retain students from all backgrounds, including non-traditional students. We are working with institutions of higher learning to strengthen short and long term planning efforts to meet the growing realities of declining enrollments, decreasing interest in agriculture as a career, and a public perception of careers in the food and agricultural sciences as being solely production agriculture. We are aware of these issues and have made great strides in working with university cooperators to strengthen their programs to meet future challenges critical to sustaining American agricultural innovation and business.

Mr. WATKINS. Thank you, Mr. Chairman.

Mr. WHITTEN. Mr. Durbin.

Mr. **Durbin**. Thank you, Mr. Chairman.

Mr. Secretary, it is good to see you.

FUNDING OF LOUISIANA OPERATING LOANS

First, I would like to ask you a question at the request of my colleague, Mr. Huckaby of Louisiana, who is a member of the Committee on Agriculture. I was fortunate to serve on that Committee with Mr. Huckaby. He is concerned about a situation in Louisiana. According to Mr. Huckaby, they have about $29 million in approved direct operating loans waiting for funding. Planting season is upon them, and they want to know—Mr. Huckaby would like to take the word back to Louisiana this afternoon—whether you anticipate funding these loans and when?

Secretary **Lyng**. The $29 million figure is a figure that I have as being the estimated amount of pending loan applications, and I have said earlier that we have $300 million of unallocated funds in that program and a billion dollars in loan guarantees so there should be money available for that.

Mr. **Durbin**. How soon will they receive word from Washington, or the proper authorities, that these loans will be approved and funded?

Secretary **Lyng**. The loan approvals will be made at the local offices and the monies will come as they are approved.

Mr. **Durbin**. Can you give us any indication as to what the time frame might be? I understand these loans have been approved. It is the funding they are waiting for. Is the check in the mail, Mr. Secretary?

Secretary **Lyng**. No, I don't know enough about it to say that. I will be glad to take a look at it and get back to you and Mr. Huckaby. I don't want to make a commitment we can't live with.

Mr. **Durbin**. We want to stay in good shape with our friend in Louisiana. I hope we can get that information this afternoon.

RURAL CO-OPS

Mr. Secretary, you have been asked about the effect of Soviet nuclear disaster on rural America. I am sure you are aware of it. Some 17 different states have rural co-ops that are tied into the construction of nuclear reactor power plants, and in these 17 states, the rural co-op electric service is financially threatened. In my own home state of Illinois, almost all of downstate Illinois is tied to the construction of the Clinton Nuclear Power Plant.

We anticipate prohibitive increases in electric rates over the next several years. There is only one possible solution, one possible salvation: that is the REA, the agency that not only approved the original loans for these co-ops to get involved in these projects, but encouraged them to do so. They all made a mistake, including the REA.

The Administration's policy on REA was articulated by your testimony this morning. It is basically that this agency has served its purpose and should move on and let the private side take over. But I would suggest to you, Mr. Secretary, that this is a time when rural America, particularly in these 17 states, including Illinois, need REA the most. I hope you will give me assurances this morning that you will not abandon these co-ops in their time of direst need.

It is a matter I have discussed with Administrator Hunter, and I certainly hope you will consider looking at this problem personally. It is the gravest economic challenge we are facing in rural communities in Illinois.

Secretary **Lyng**. I will take a look at it. I am aware that there is a major problem brewing there and I have not had time to take a look at it.

Mr. **Durbin**. I would appreciate it.

Mr. **Whitten**. What they gave us 20 years ago.

Mr. **Durbin**. I am hoping this new Secretary will start.

Mr. Secretary, we can work together. It is a major national problem. Naturally it doesn't involve the health problems that the people in the Soviet Union are facing but the potential economic disaster is just as great if we don't do something.

PROJECTED AGRICULTURAL EXPORTS

I would like to mention one other area that is of particular importance. There was a recent article published, based on a report from your department, concerning projected American agricultural exports. The projections are very sobering. They suggest that the American agricultural sector, which has been one of our most productive export sectors of our economy, is facing hard times around the world.

One of the things that concerns me greatly is not just the decline in our exports—and it has been dramatic—but two other things:

First, despite the decline in the value of the dollar, and the signal we have sent in our farm bill that we are going to try to get to competitive world prices, I don't see any indication, Mr. Secretary, that this has had a positive impact on our agricultural export, do you?

Secretary **Lyng**. No, not very much, Mr. Durbin, because the farm bill applied largely to the 1986 crop. With the sole exception of rice, the main benefits of the new farm bill will come after the harvest of 1986 crops. Even then I think it would be wrong to expect an immediate reaction, because in most of these items, whether it is wheat or feed grains, or corn or rice or cotton, there are large stocks of these throughout the world and it will take some time for us to be able to reassert our leadership and to again get back the business that we have lost.

We are doing some with the export enhancement program, which will help during the transition period, but the competition on some commodities has been severe and our exports have not been moving as fast as we would like to have them.

Mr. **Durbin**. Mr. Secretary, it is difficult for me to accept the fact that this Administration has made a commitment to export enhancements when I read the funding levels requested for the foreign agriculture service. That particular agency of your Department is responsible for the expansion of foreign export markets for US agricultural products. At a time when you and I both know we clearly need it most, the President's fiscal year 1987 budget called for a reduction in appropriations for the Foreign Agriculture Service, from $83 to $71.9 million. This represents a 13.4 percent reduction in the United States effort to sell our own products overseas, through market development programs. Funding for the cooperative market development program is to be reduced under the President's budget from $49.1 million to $37.1 million, a 24.4 percent reduction.

I guess it is appropriate to say the budget speaks more clearly to the Administration's commitment on foreign agricultural exports than what we have heard this morning. If we believe we are going to cut back in these services and increase our markets abroad, I think we are sorely mistaken. How do you explain that to someone from Illinois or any other state that is so dependent on foreign agricultural exports?

Secretary LYNG. It is difficult to explain it, Mr. Durbin, and of course, since I have been there, I have had the cooperators come and tell me very clearly the problems relating to this. In fairness to those who made the reductions in the budget—and I pointed out in my testimony there was a need to make reductions in this budget—these areas that were cut were modestly cut in most instances, in terms of operating budgets. These are matching fund deals and it was the determination that was made in the preparation of this budget that the effectiveness of the programs would not be substantially modified. But this type of a budget approach——

Mr. DURBIN. I would have to disagree with that conclusion. A reduction of 13 percent, or 24 percent, is not a cosmetic reduction, it is a serious reduction. It strikes me that if we don't increase our agriculture exports, we are going to be spending more money at the federal level through the Commodity Credit Corporation. We have seen this already this year. You suggested in your own testimony that you may have to come back for even more money. If we don't increase exports, those problems are going to be multiplied and the expenses to the Federal Government will be dramatically increased.

I am fearful the Administration, which has moved, at least espoused, the philosophy of market orientation, is ignoring the fact that many European nations are cutting their prices and subsidizing their exports even more. You just returned from Europe, I don't think there is much dispute about the statement I made. I think we need more of a commitment from the Administration to make certain the American farmer has a fighting chance overseas. Right now, when I look at the President's budget and hear your testimony, I don't think you are in our corner fighting as hard as we need to have you fight. I hope you are willing to work with this committee if we move to provide more money in the Foreign Agriculture Service to help those farmers increase our agriculture exports.

Secretary LYNG. I have always been willing to work with this committee.

Mr. DURBIN. I think Chairman Whitten will show some leadership in this area, as he has in many others. I hope we can restore some of these cuts.

DAIRY PROGRAM

One last question. I would like to know your point of view on a question concerning the dairy program. There have been lots of questions about the whole herd buy-out. My farmers want to know if the United States is involved in some sort of international financing scheme to bring some Irish investment interests to Georgia to build all sorts of dairy production facilities in this country. At a time when our national policy is to tell American dairy farmers get out of business, other agencies appear to be encouraging foreigners to come to the United States and get into the dairy business. Do you have any comments on that?

Secretary LYNG. Yes sir, I have heard a lot about it, as you can well imagine. The government subsidy apparently that I hear about in this is that some redevelopment agency or development agency in Georgia made federal tax exempt bond funding available to these people to build dairies and that of course, is provided for apparently in the Federal Internal Revenue Code laws.

I can assure you in the Department of Agriculture we have given no incentive to anyone to open bids to enlarge or open new dairies, including people from Ireland.

Mr. DURBIN. Would your department take an active role in discouraging this investment by the Irish in new dairy facilities in Georgia in light of our own national policy?

Secretary LYNG. We have no legal authority to do that. It seems to me that it is an improper use of the incentives that are given to people under the tax exempt rules and laws. I don't really understand how all that works but it makes no sense to me that the Federal Government should be subsidizing in a sense the interest rates to an expansion of a dairy at a time when we are paying people to go out, whether it be Irish dairymen or American dairymen. It makes no sense.

CARGO PREFERENCE

Mr. DURBIN. I might make one last comment. I know we are off for a vote. I am very concerned about the cargo preference issue and the Administrations suggestion not to fund the cargo preference subsidies as required by the farm bill. Even though I oppose that subsidy, it is there. The Administration has suggested that instead of providing the funds through the Department of Transportation they would try to reverse the congressional decision in this area. That doesn't address the problem, and I hope you will take a hard look at it, because it could again have a serious, negative impact on our exports.

Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. WHITTEN. I have some questions I will ask here, trusting Mr. Smith will be back shortly.

Who are your officers of the Commodity Credit Corporation by name and position? You can supply that for the record.

Secretary LYNG. We will be glad to.

[The information follows:]

COMMODITY CREDIT CORPORATION

	Office in CCC	Other position in the Department of Agriculture
Board of Directors:		
Richard E. Lyng	Chairman	Secretary of Agriculture.
(Vacancy)	Vice Chairman	Deputy Secretary of Agriculture.
Daniel G. Amstutz	Member	Under Secretary, International Affairs and Commodity Programs.
Frank W. Naylor, Jr.	Member	Under Secretary, Small Community and Rural Development.
John W. Bode (Designate)	Member	Assistant Secretary, Food and Consumer Services.
(Vacancy)	Member	Assistant Secretary, Marketing and Inspection Services.
Robert L. Thompson	Member	Assistant Secretary, Economics.
Milton J. Hertz (Desig)	Member	Administrator, Agricultural Stabilization and Conservation Service.
Officers:		
Daniel G. Amstutz	President	Under Secretary, IACP.
Milton J. Hertz	Executive Vice President	Administrator, ASCS (Acting).
James C. Handley	Vice President	Administrator, AMS.
Milton J. Hertz	Vice President	Associate Administrator, ASCS.
Thomas O. Kay	Vice President	Administrator, FAS.
Melvin E. Sims	Vice President	General Sales Manager and Associate Administrator, FAS.
Robert E. Leard	Vice President	Administrator, FNS.
Merrill D. Marxman	Deputy Vice President	Deputy Administrator, Commodity Operations, ASCS.
Earle J. Bedenbaugh	Deputy Vice President	Deputy Administrator, State and County Operations, ASCS.
Floy E. Payton	Deputy Vice President	Deputy Administrator, Management, ASCS (Acting).
William C. Bailey	Deputy Vice President	Deputy Administrator, Program Planning and Development, ASCS.
Richard A. Ashworth	Secretary	Executive Assistant to the Administrator, ASCS.
George E. Rippel	Deputy Secretary	Supervisory Staff Assistant-Audits and Dockets, Office of the Administrator, ASCS.
Brenda B. King	Assistant Secretary	Staff Assistant-Audits and Dockets, Office of the Administrator, ASCS.
Angelena V. Bracht	Controller	Director, Fiscal Division, ASCS.
Theodore P. Langlois	Treasurer	Deputy Director, Fiscal Division, ASCS.
Dwight T. Tayman	Chief Accountant	Chief, Financial Systems and Procedures Branch, Fiscal Division, ASCS.
Advisors:		
Laniel Oliver	General Counsel	General Counsel, Office of the General Counsel.
James M. Kelly	Associate General Counsel	Associate General Counsel Production Distribution and Assistance, Office of the General Counsel (Acting).

COMMODITY CREDIT CORPORATION

Mr. WHITTEN. I notice you are asking for additional money for the Commodity Credit Corporation. I appreciate we have got to where everything is done through Commodity Credit Corporation. The prime purpose of CCC was to support prices and promote exports.

I notice you have $7 billion worth of commodities in inventory. Why don't you sell them? You know the law law contemplates that you have a revolving fund, you sell the commodities and the money received becomes available for reuse. Why don't you sell what you have and get your money and keep CCC revolving?

Secretary LYNG. Well, we actually are doing some of that. More than we used to.

Mr. WHITTEN. Not enough to keep this money in stock, to say the least.

Secretary LYNG. Yes. I don't believe we can find a market that big, Mr. Chairman.

Mr. **Whitten**. You can't if you won't make your price competitive. May I say that it is not a subsidy. Our record shows that every country in the world except us sells what it has and doesn't need for what it will bring. Historically, we have proven that the Commodity Credit Corporation was set up to support prices which it would get from the buyer. They did that for a long time. It worked. That is when these folks were able to pay for the land they are losing today.

We started all that funny business of making deals on the side to keep from laying it on the counter. We went through with this with Mr. Benson. At that time the committee set up the position of sales manager. Now you won't let him sell anything. He is still drawing a salary and they won't let him do anything, as far as I have been able to see. In the PIK program you gave a way 11 percent of own foreign exports.

Under the new law you are going to give the rest of our exports away. The volume is just as important as price, and you are asking to cut the volume. The new laws calls for cutting the price, and then to add insult to injury, the new Farmers Home Administration man is saying pay all you owe so you can show enough cash under the new law to stay in the business. Most of them can't do it. The reason they owe so much, you held their exports off the world markets for the last ten years because they were not offered at competitive prices. If you don't make the price competitive you don't sell.

I think Mr. Durbin brought up a good point. I think all the credit being extended is trying to sell guns and ammunition. We have 125 countries where we are selling guns and ammunition, where the people need food and clothing. I realize you can't change the world. I haven't made much of a dent myself, but I am telling you like it is.

Mr. Smith will be back in a minute. I thank you for coming. Please understand I just think what we are doing in agriculture is going to destroy this country in the long run.

Secretary **Lyng**. I appreciate being with the committee this morning. I know you well, and I know how sincerely you are concerned about agriculture, and I hope we can work together on this.

Mr. **Whitten**. I appreciate your friendship and it is sincere, and deep, but we have got a job ahead of us.

Mr. **Neal Smith**. Mr. Secretary, I want to join the others in welcoming you today and want to say that I am glad to note that your answers have been as responsive as any I have seen in recent years. You have at least tried to answer the questions and shown an awareness of what the department does.

SOIL CONSERVATION RESERVE PROGRAM

You have a paragraph in your statement that I agree with, that says that the new conservation reserve program aims to achieve soil savings on the nation's most erosion prone land and I think it is noteworthy that during the big debate on the farm bill, this is one thing that everybody agreed on. The Administration and everybody in Congress agreed that we ought to do something about erosion.

You say that it may also achieve savings in the price support area and certainly it could if it fulfills its intended goal. It can offset a considerable amount of cost in the price support programs. But the fact of the matter is it is a flop. When the bill was passed, I warned everyone that it was going to be a flop, but I didn't think it was going to be as big a flop as it is. Seventeen percent of a five million acre deal is not very much land. I think there are a number of good reasons for it, including provisions in the legislation itself.

Now, you are going to have another round of bidding between May 5th and the 16th. Do you think that you are going to get a substantial amount of land at a lower price or the same price, or what do you think is going to happen?

Secretary LYNG. I hope, Mr. Smith, that we get a better, or at least we improve the total substantially. The fact is that coming out on May 5th is not a favorable time. Some of these farmers will have made their planting plans. In order to help offset that, they can bid either for this year or make their bid——

Mr. NEAL SMITH. You don't expect to get much more land in '86, though out of that bidding. Most of it will be on '87.

Secretary LYNG. Yes sir, I would guess that would be the case. There are a number of people that bid on it in the first go-around that we were quite uncertain about what the intentions of the department were in awarding bids. I think we may get some that will be more realistic in their prices. We are anxious to get this program up and I was personally disappointed in the first response. We are going to try to do a better job.

Mr. NEAL SMITH. Do you interpret the law to say that you cannot say in advance that you are going to accept all bids under a certain amount in a certain country and then you will decide later how many above that amount you will accept?

Secretary LYNG. No, I didn't get into that detail on the law, as a matter of fact. This is administered by the Under Secretary and the ASCS people. I don't know whether you have sat in on the discussion on that, Bob, or not.

Mr. THOMPSON. I was involved in some discussions on it.

Mr. NEAL SMITH. In other words, for example, to make it clear what I am saying, could you say we are going to accept bids this next round at no more than the same amount in each county and then if we don't get enough that we may go above that and——

Secretary LYNG. I think we have said that, or at least tacitly said that we have indicated that we will, that there is no particular figure beyond which we won't go.

Mr. NEAL SMITH. I see you haven't been told by Office of Management and Budget there is no figure beyond which you can go.

Secretary LYNG. No. I don't think Office of Management and Budget determined——

Mr. NEAL SMITH. The rumor was around here a couple of days ago was that the Office of Management and Budget was going to put a cap on how much you could pay per acre.

Secretary LYNG. I don't think so. That is the first I have heard of that. No, no one has talked to me from Office of Management and Budget and I did make the decision as to whether to cut it off.

They came to me with a recommended decision and I just drew the line.

Do you know anything about Office of Management and Budget's involvement?

Mr. **Dewhurst**. No sir, I have not heard that.

Secretary **Lyng**. I think we have to take the blame, I think we made the decision at the Department of Agriculture.

Mr. **Neal Smith**. I am asking you these questions because I think it is a terribly important program and I think that really there is the possibility here of doing something that is going to outlast your Administration or anything else. We are beginning a program that could develop into something that is permanent for the nation. But have you made a survey of any kind or had interviews with people? Not you personally, but to try to determine why these people bid more than you thought they were going to?

Secretary **Lyng**. No, I don't know of any broad survey being made. I did visit with farmers around the country and asked them this question. I got a mixed reaction to that.

Mr. **Neal Smith**. Well, I have interviewed quite a number of them and people in county offices, and it is not very encouraging. Some of the reasons they gave relate to problems in the law. There are some problems such as the definition of terms that can be changed but there are some basic problems we can't do anything about. Some of farmers owe so much money on the land that by the time they pay the interest and taxes, they can't bid lower than they did.

But there are some things that can be done, that you can do something about and I would hope that we can get together a list of the things that are wrong with the law or cause people not to sign up that we would like to get to sign up. I have talked at length with Ed Jones about correcting legislation.

I hope that we can get together some kind of list for the legislative committee. A list of things that could be done to make this program more workable, so any needed changes in the law could be made before the next sign up. You are going to have another bidding in July, aren't you?

Secretary **Lyng**. I don't know when the next one is. We have not announced it.

Mr. **Neal Smith**. If you have another bidding. I hope that by that time some noncontroversial things that could be done to make the program more acceptable. For example, the law itself prohibits somebody who happens to be in the rotation program, and happened to have alfalfa on land for the last four years from participating even though it is land that has been farmed for years. The law requires the land to have been farmed two years out of the last five years. There are no exemptions.

And then we have the Glickman amendment, which is a formula for bankruptcy for anybody who has some erodable land that they will not be able to get terraced, or whatever it takes, in five years, and that is a lot of the land. We have been putting out $190 million a year for a 50 percent matching program and we have not been able to get rid of more than $140 million because people don't have the money to match it. It would take $2 billion a year to get it all done in five years, so it is not possible.

So it will not be possible for them to be in the farm program unless that is changed and if they aren't, they still are obligated under this contract for five more years of this ten year contract. And if they don't leave that land idle, they have to pay that money back. They are going to go bankrupt if they sign that kind of contract. It is just not workable.

The fact of the matter is that we had some well meaning organizations that had the very bet of motives, but apparently they had absolutely no understanding what it takes to get people to participate in the program. They had some influence in getting some things put in this program that make it unworkable, totally unworkable. It is a flop and it is their fault, as well as those that have accepted those kinds of conditions, and I think it is too bad.

I have been around here for 28 years. I know that some people have been talking all that time about the need for soil conservation. We finally get a consensus, finally got the public behind it, everybody behind it, and then at the time when we could really do something, it gets loved to death. They put provisions in the law that they hoped would do something. It kills the program and we need to do something about it.

There are also some first round rules that didn't help. One of them I think you ought to look at is one that deals with tenants and sharecroppers. I am not sure whether that rule is required by the law but I would like your views on that but the rules that you have laid down in section 15 provides that if somebody rented land last year, the owner of that land couldn't put it in the conservation reserve unless he gets an agreement with the renter, even though he only had a one year contract. Well, that means that the tenant that had it last year, is in a position of prohibiting removing highly erodable land so they can continue to farm it. I don't think that provision, is necessary under the law, although there are some references in the law.

There are a number of things like that. Another one regulation prohibits you from reducing the number of tenants on a farm. Well, if somebody had 160 acres, and he had one tenant, and he wants to put 120 acres of tillable land in the program, he is obviously going to end up with no tenants. The owner can't sign up the land without the tenant's permission. So if the tenant doesn't want to quit farming the land, he says I won't sign.

There are some things that have to be done. We have to decide whether we really are removing highly erodable land or are we in a social program. So, I hope that you will do something about getting these things together so we can work on it.

Another thing is on the bid amount. As I understand it, you haven't determined ahead of time that you will not permit higher bids next time?

Secretary LYNG. We have not.

Mr. NEAL SMITH. If I can just offer my opinion there, in Iowa we had a range of from $65 to $90. Well, I know that you have got to give some consideration to the cost of land in an area. However, most of the people I talked to agree that the land that you have got in the program for $90 was essentially the same land you got for $65. In other words, you got the poorest land in both poll areas. The only thing was that the pool area where you were willing to pay $90 contained more class A land and the average piece of land is higher.

But I frankly don't think you ought to pay $90 for any land. You take $90 and subtract $15, which is really the cost to the owner of carrying it, that leaves him $75 and with the best land renting for $120, I think that for highly erodable land that was too high. But $65 isn't going to get the land. They can't do it. There has to be a better way. I think you should look at what the cap is in these various pool areas.

My question really is whether or not you are really going to look into this program and try to determine as best you can why it is that people aren't putting in more land at a price you think is reasonable. Can something be done?

Secretary LYNG. Yes sir, we want the program to work. We agree with you that this program offers a great deal and really is something that we want to get behind. As I said, we were disappointed—I was disappointed—in the original response. We felt that we couldn't go much higher than we did in our acceptance. We think those bids will narrow somewhat in the next go-around. We know that many people were somewhat concerned about the ten year commitment and we must give some people reassurances somehow in that area. We are going to work hard to try to make it work and some of the questions you have asked, I can't answer, but we will get back to you.

Mr. NEAL SMITH. You have some farmers out there that have small farms, ready to retire, they put their land in at an awfully cheap price, they didn't care what they got, they wanted to get out. They live in the house, and you got them on the first round, except where they were afraid of that tenant clause. They couldn't get around that and there may be some of them out there.

Also, you got some bidders that were bidding so high because they couldn't bid any lower, they aren't going to change and you will never get them because the amount they can bid is so high that you can't afford to get them, but nevertheless, there are some that I think could be gotten.

Have you looked at the easement in this program as a possibility?

Secretary LYNG. I don't know about that.

Mr. NEAL SMITH. As for an easement you could get a lot more land for the money. I think there are some objections to it. Another thing I want to mention and I think you ought to look at, is the situation where there is of the possibility that land won't be out for the full ten years. In other words, you have got people signing contracts that have a mortgage on the land. The people with the mortgage on the land don't sign the contract, so you don't know for sure if you have the land for ten years. If you could get both of them joined you would know you would have it for ten years.

It seems to me that this is an area that ought to be looked at. I am afraid that in four or five years some of these contracts will just turn them over and you don't have anything. You end up with nothing. The government would have invested in seeding, 50 percent of the seeding cost, for a contract that doesn't amount to anything.

Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman, and Mr. Secretary, I, too, want to congratulate you. Having worked with you for a number of years, I am not going to give you any sympathy or condolences, because of all the folks I know around this place that have had the high level of experience and background that you have had, why, and knowing what kind of times we are in in agriculture, and understanding this problem as well as you do, I think that it took a kind of resolve that you could really do something with this thing for you to come back and take this nomination. So I admire you for doing this and appreciate it.

As a matter of fact, you are one of the only pre-chewed Secretaries of Agriculture I have ever known, if I could use that term, and it is going to take an awful lot, because of the high level of frustration we have here in Congress, since we are not able to solve all of the agricultural problems, and those of us have been around this place for a long while, understand it well, we don't know what to do either. But I think maybe together with the Administration and the Congress, we could come up with something that does approach this problem in one fashion or another.

MANIPULATION OF CATTLE FUTURES

I wanted to ask a question about the whole herd buy-out program that we have had. I get a little different explanations from a lot of our growers and feeders, and in our part of the country, that is it is not USDA has handled the way, also it is the way in which the markets have been manipulated, and cattle futures, and I don't know whether that has been apparent to you and the department, or what analysis you are getting. It is a curious approach. We have such a market today in red beef or in beef marketing, there are so few, never in our history of our nation, have we had so few people involved in packing because we have eliminated an awful lot of major packers, and also, we wound up with a rather concentrated feeder group as well, that had large numbers.

I wondered if there had been any concern from the department as far as manipulation of cattle futures?

Secretary **Lyng**. It would be wrong for me to suggest that I have any evidence of any manipulation because we don't know that. As one who spent a fair amount of my time with the American Meat Institute as President of the organization, and who at one time when I was Assistant Secretary of Agriculture, had the regulatory authority over the Commodity Exchange Authority, I will admit that thoughts of peculiarities crossed my mind at the reaction of the futures market to our announcement on Good Friday.

I believe that I am not the only one in the department that was astonished at that market reaction. Simultaneous with announcing the whole herd buy-out programs, that same day we announced the purchase of 400——

Mr. **Skeen**. Support purchase?

Secretary **Lyng**. Yes sir, and any kind of arithmetic one would do would show that there was no reason for the fundamentals to change the way the market would have indicated they would. But markets are peculiar. The cattle market has gone up the limit. The past two days the future markets are up virtually across the board and this apparently is due to the Soviet situation, but U.S. cattle shouldn't go up the limit because of what is going on. It doesn't seem to me there is a logical assumption there. Maybe it is just that markets behave peculiarly.

Mr. SKEEN. I have that concern. I know that markets do that, but I am always aware that markets have pressure and the other markets have followed as well. The grain markets have gone up, but we had the similar situation right after the announcement that we had a drastic drop in cattle prices after a slow and steady increase. It was a killer to use that phrase because the cattle feeders and marketers and so forth have been watching a steadily increasing market. As soon as an announcement was made it had a drastic drop and I have the same reservations, I don't think it was entirely due to the fact of the policy or announcement of the Department of Agriculture triggered that thing, I think that got enough speculating going on in the cattle futures market.

I know my good friend over here, Neal Smith and I shared this concern on cattle futures before, that it is highly speculative, and it is a very narrow based market, which is a dangerous kind of situation in some respects. I was curious as to whether or not the department has done any kind of analysis. I would appreciate any kind of concerns that you are coming up with in that regard.

Secretary LYNG. Analysis and investigation work in that area is in the hands of the Commodity Futures Trading Commission and we make whatever information we have available to them. We work closely with them, but they would have to be the ones to answer specific your question.

ANIMAL DAMAGE AND CONTROL PROGRAM

Mr. SKEEN. We will go to them. I thought we would jingle you out a little bit, too. One other thing I would like to ask is the animal damage control program we transferred from the Department of the Interior to the Department of Agriculture, and we are very sensitive to this program in our part of the country. That transition is going very smoothly, but I was a little astonished to see the fiscal year 1987 request made that reflects a 50 percent cut in the budget request for this program and I know that the efficiency should be much better under the Department of Agriculture, I don't know whether you can save 50 percent or not, I am a little concerned about that drastic reduction, what it does to the program and what is the feeling of the department.

I would hate to see us transfer this vital program and have it become a stepchild once again, and so I would appreciate any response that you have. What I would like to ask is, how far apart were the department and Office of Management and Budget on the request for that particular activity?

Secretary LYNG. I can't answer that, Mr. Skeen, right now, but I will be happy to submit something for the record on that. I was not at the department when that budget was developed and I have not studied this particular thing enough to be able to specifically answer your question.

[The information follows:]

The Department requested $22,924,000 from the office of Management and Budget and they allowed the Department $10 million for this program.

Mr. **Skeen**. Well, the transition has gone well. I want to say I appreciate the accommodation that the Department of Agriculture has made in accepting this new branch. I know you probably have tremendous problems in arriving at some kind of budget, but I would appreciate having some response to that.

DAIRY GROWTH HARMONE

Also I am a little concerned, we are doing an awful lot in research and to exacerbate or to stir the troubled waters in this whole dairy and red meat program, now we have got bovine growth hormone. What is the feeling of the department—in other words, this hormone is supposed to be able to increase the dairy production by 20 years, inject into dairy animals and so forth. That might be the answer to the program but it is viewed by the feeders and growers out there as a tremendous growth onto the problems we already have.

Secretary **Lyng**. The dairy growth hormone is being tested and has been for a year or so in Cornell University. They also have one they are testing on swine and there are speculations that in some cases it is more than 20 percent, as much as 40 percent.

Some economists have estimated that with that hormone and with the other productivity increases in the dairy business, we would probably be able to get along by the year 2000 with 7 million cows instead of the 10 million we are trying to get down to now. So that is a pretty substantial drop in 13 years.

This has not yet been cleared for marketing, the FDA will be called upon to clear it. There is no apparent reason that it should not be considered safe. It is, as I understand it, a natural hormone. It is just a way of using genetic engineering and biotechnology to synthesize something that is quite natural.

It can have tremendous economic impact.

Mr. **Skeen**. The point I was trying to make—I think you followed up with it very well—I think we are in a transitional stage of agriculture today. We are going to be producing more and more with less and less. We are surely weeding out the operators, I can tell you that, and I don't know whether that is a good or bad transition, but I don't think it all hinges on the future in agriculture and how we are able to feed ourselves in this country, or for that matter, the rest of the world, which could become a possibility. It is going to depend on this kind of research and biotechnology is certainly a field that I think is having a tremendous impact, and I think it is one of great benefit and shouldn't be viewed with alarm.

But you know, we all resist change and growers today don't want to see any change at all, and I think that we are faced with an acceptance. I do appreciate the dedication that the department has shown in the research programs and the rest because I think we will realize more benefit from it than adversity as far as promoting agriculture in general, because it is newer and it is a new face.

I want to thank you for being here.

HIGHLY ERODIBLE LAND

Mr. **Neal Smith**. I just had one other question. Have you, under the sod buster provision of the new law, have you yet determined the definition of highly erodable land?

Secretary **Lyng**. We will be going out for public comment on a definition, proposed definition, in June.

Mr. **Neal Smith**. In June. I just want to point out one thing. Starting with the '86 crop, much of which is already in the ground, anybody that has even one acre of highly erodable land that produced a commodity and on one acre, is supposedly ineligible for any benefits. Well, he has already made his contribution toward the program and he doesn't know yet what the definition of highly erodable soil is and we could get into a position here which seems unattainable and really where somebody is almost ex post facto penalizing him for something he didn't know and had no way to know at the time whether or not he was violating the law.

Secretary **Lyng**. I can't comment on that, Mr. Smith.

Mr. **Neal Smith**. The only thing I think could be done is just start it in '87. I don't see how else you could do it. Otherwise you are going to have a bad situation on your hands.

AVOCADO REGULATIONS

Mr. **Akaka**. May I just tell the Secretary I have a letter here that I will be presenting to you, having to do with avocados, as I mentioned earlier. It is just that your department is exercising regulations that are stopping avocados from being sent to Alaska and I hope that you can review it and some decision will be made as our farmers are hurting now. The avocado we found over four or five years did not harbor any fruit flies. ARS felt it was all right for it to be shipped, but enforcement of some of the regulations is stopping that and it is all contained in this letter.

Mr. **Neal Smith**. Thank you very much, Mr. Secretary.

Mr. **Whitten**. Mr. Conte.

COMMODITY CREDIT CORPORATION FUNDING

Mr. **Conte**. What is the status of the CCC today, Mr. Secretary? How much do you have left of the $19.7 billion we've provided in FY 1986?

Secretary **Lyng**. CCC's remaining available borrowing authority as of May 1, 1986 was $2.501 billion.

Mr. **Conte**. Do you have an estimate of need for the remainder of FY 1986? Is it about $2.3 billion as the Department had projected in February? What factors could increase your estimates on the need for reimbursement of net realized losses?

Secretary **Lyng**. Our current estimate of CCC appropriation needs is indeed higher than the $2.3 billion in remaining funding needs we estimated in February. Our current estimate is that CCC will need a minimum of $3.8 billion for the remainder of FY 1986. A total of $5.3 billion would be necessary if a reasonable operating reserve were included. Major factors which have increased our estimate are larger than anticipated advanced 1986 crop deficiency payments, higher accepted bids under the Dairy Termination Program than originally assumed, and accelerated red meat purchases. Also, we believe repayment of 1985 crop loans will be less than previously estimated, especially for corn. Loan repayment estimates are still very tentative for several commodities, and we strongly urge the adoption of the permanent indefinite funding approach for CCC so that the risk of another funding crisis this year is avoided.

Mr. Conte. Do you have a more precise estimate of the date by which you will need an urgent supplemental?

Secretary Lyng. We have just recently completed a revised CCC cashflow analysis. That analysis indicates remaining CCC funds will be exhausted by late May. It has always been difficult to precisely predict CCC funding requirements, but we plan to keep the Congress informed on a frequent basis regarding CCC's current cash position.

Mr. Conte. Have you submitted a request to OMB for a specific amount? If so, when was that request submitted?

Secretary Lyng. We have, of course, kept OMB informed of our revised estimate of CCC's funding needs. No formal request for a specific appropriation amount has been submitted to OMB, however, since we believe the way to avoid these frequent funding crises is the permanent indefinite authority for CCC to be reimbursed directly from Treasury, as previously requested in the CCC supplemental included in the President's Budget.

Mr. Conte. For the record, how many times in the history of the Corporation has the CCC shut down because of the Congress' inability to provide timely supplementals? When did these shutdowns occur? For how long? What Corporation activities came to a halt, and what activities continued?

[The information follows:]

During the Corporation's history, it has discontinued operations four times due to lack of funds. These four instances and their duration are as follows:

1. February 8-11, 1965; 2. July 17-23, 1985; 3. February 5-7, 1986; 4. March 5-21, 1986.

The 1965 suspension halted the issuance of CCC checkwriting and commodity loan drafts, and loan advances to cotton, peanut and tobacco associations, and withheld payments for carrying charges, direct cotton loans and equalization payments. Federal Reserve Banks were instructed to refuse to accept CCC drafts issued in payment of P.L. 480 commodity shipments or ocean transportation. A payment of interest to the Treasury on amounts borrowed was delayed until the supplemental was enacted.

The 1985 and 1986 suspensions halted all CCC program disbursements including checkwriting and wire transfers for commodity loans, dairy purchases, producer and commercial storage payments, deficiency and diversion payments, CCC export guarantee claims, etc. Conservation program obligations and payments were continued within the allocations in effect at the time the suspensions were announced. Sufficient ASCS appropriated funding was available for these activities.

Mr. Conte. What, if any, additional expenses are incurred as a result of delays in providing timely supplemental for reimbursements?

Secretary Lyng. With delays of timely supplementals, ASCS county office employees are required to work overtime to process loans and program payments to avoid further delay for the producer or program participant. Additional expenses would include additional salary costs, agency contributions, and in some locations utiltity costs related to extended office hours. Delays of only a few days would not entail significant additional administrative expenses in county offices.

However, failure to provide CCC supplementals in the full amount requested, either by permanent indefinite authority or by specific appropriations, results in considerable increased interest costs to CCC because it cannot pay interest on Treasury borrowings when due. CCC has had to defer interest payments normally due in October and January of this fiscal year until such time as sufficient funding becomes available. Given the partial CCC reimbursements since January of this year, we have worked closely with Treasury to assure that producers have priority on the use of available CCC funds. We estimate that for the January–September 1986 period, deferral of interest payments will increase our total costs by a least $50 million.

Mr. CONTE. To your knowledge have the Appropriations Committees and the Congress ever denied a request for reimbursement of the Corporation?

Secretary LYNG. No, Congress has not denied requests for reimbursement and we are very appreciative of that fact. There have been times when reimbursements have been less than requested and times when reimbursements have been delayed, resulting in CCC exhausting its borrowing authority.

Mr. CONTE. Has the Department or the Corporation ever withheld information from this Committee on the expenditure of CCC funds or on the need for additional funds?

Secretary LYNG. We feel we have been very forthcoming with regard to keeping the Committee and others in Congress informed, both formally and informally, on CCC expenditures and funding needs. It is clearly in the best interests of both the Department and the farmer whom we serve that such information be timely provided to the Committee so that disruptive CCC shutdowns can be avoided.

Mr. CONTE. If the Congress were to provide the Corporation with the permanent indefinite authority that you request, or with current, indefinite authority for the remainder of FY 1986, can you assure us that you would continue to provide us with relevant information on the Corporation's activities on a timely basis?

Secretary LYNG. Yes, we would be happy to provide both the House and Senate Appropriations Subcommittees, and others that Congress may specify, such information as Congress would direct, in order to satisfy its oversight concerns. Such information would include, but not be limited to, the level of CCC net outlays, the level of realized losses, the balance of borrowing authority, and notification to the Congress as to when and what amounts are reimbursed in accordance with either the permanent indefinite authority of current indefinite authority.

Mr. CONTE. Have you revised your estimate of need for reimbursements in FY 1987? If so, how does it differ from the February budget submission? If not, please state your estimate and provide for our Committee the most specific breakdown of need possible.

Secretary LYNG. We will not officially revise CCC estimates for FY 1987 until the President's Mid-Session Review of the FY 1987 Budget, scheduled for transmittal to the Congress sometime in

July. Therefore, our current FY 1987 reimbursement estimate continues to be the $16.809 billion reflected in the President's Budget.

CCC INVENTORY

Mr. **Conte**. Please provide for the Committee the current inventory of CCC-owned commodities. Provide for us the best data available on market value and quantity by commodity.

Secretary **Lyng**. I will be glad to furnish you a table of the status of CCC inventory as of March 31, 1986.

[The information follows:]

COMMODITY CREDIT CORPORATION, STATUS OF CCC INVENTORY AS OF MARCH 31, 1986

[Quantities and dollars in millions]

Commodity	Quanity	CCC inventory value
Feed Grains (bu):		
Corn	568.0	$1,563.8
Grain Sorghum	203.8	580.9
Barley	57.3	124.9
Oats	2.6	3.6
Total Feed Grains	831.7	2,273.2
Wheat (bu)	586.3	2,288.9
Rye (bu)	16.8	37.6
Rice, Rough (cwt)	41.6	362.7
Soybeans (bu)	146.7	740.9
Honey (1b)	126.2	99.1
Upland Cotton (bale)	.222	62.2
Dairy Products (1b):		
Butter	328.2	496.5
Butter Oil	38.2	66.2
Cheese	836.5	1,144.1
Milk, Dried	1,287.2	1,147.8
Mozzarella	1.0	1.3
Total Dairy Products	2,491.1	2,855.9
Cane Sugar (1b)	607.4	107.6
Beet Sugar (1b)	254.5	51.4
All Other Commodities		8.9
Total CCC inventory		8,888.4

Mr. **Conte**. Where are the Surplus Commodities stored? Please provide the best available breakdown of the locations and costs of storage at these sites. If possible, please indicate how long such commodities have been in storage.

Secretary **Lyng**. I will provide that information for the record.

[The information follows:]

CCC currently has storage contracts with almost 6,600 grain warehouses, 370 rice warehouses, 400 cotton warehouses, 390 dry storage warehouses, 330 freezer warehouses, 370 cooler warehouses, and 185 honey warehouses. Because of the volume of a detailed resport, ASCS currently does not produce detailed listings of inventory levels and costs associated with each of these warehouses. However, all available summary reports showing the average storage costs on a state by state basis for our major commodities are listed below. Storage costs actually incurred by CCC are about the average rates for each state. Inventory age of grain and cotton is not a problem and is not routinely monitored. CCC's grain inventory is stored commingled and is continuously freshened with new grain. Age is not a critical factor for cotton as cotton generally does not deteriorate while in storage. The age and quality of CCC's processed inventory is continuously monitored and closely watched since these commodities can be subject to loss of grade and quality if stored for an extended period of time, and therefore a summary of processed product age and grade will be provided. The summary reports we are providing are:

1. Number, Capacity and Utilization of Warehouses under Uniform Grain Storage Agreement by States as of March 31, 1986. Also the same report for Rice Storage Agreement Warehouses.
2. Dairy Storage and Handling Costs Reports for Butter, Cheese, Milk Powder, and Honey.
3. The Storage and Handling Rates for Cotton for 1985/86.
4. The National Weighted Average Warehouse Rates in Grain and Rice Warehouses.
5. The Cost of Storage and Handling of Dairy Commodities and Honey in Store as of March 31, 1986.
6. Reports by Processed Commodity type showing grade and average age.

[Additional information follows:]

NUMBER, CAPACITY, AND UTILIZATION OF WAREHOUSES UNDER UNIFORM GRAIN STORAGE AGREEMENT
BY STATES AS OF MARCH 31, 1986
IN THOUSANDS OF BUSHELS

STATE	UGSA COUNTRY-8 NUMBER	UGSA COUNTRY-8 CAPACITY	UGSA TERMINAL-9 NUMBER	UGSA TERMINAL-9 CAPACITY	UGSA TOTAL NUMBER	UGSA TOTAL CAPACITY	CCC-OWNED GRAIN IN WHSES.	GRAIN UNDER LOAN IN WHSES.	TOTAL SPACE UTILIZED	PERCENT UTILIZATION
ALABAMA	34	22,425			34	22,425	362	105	467	02.08
ARIZONA	14	15,478			14	15,478	1,649	1,456	3,105	20.06
ARKANSAS	130	207,692	3	9,543	133	217,235	4,469	13,251	17,720	08.16
CALIFORNIA	38	51,265	4	11,920	42	63,185	1,328	9,289	10,617	16.80
COLORADO	83	79,621	7	15,603	90	95,224	16,813	31,420	48,233	50.65
CONNECTICUT	1	559			1	559	25		25	04.47
DELAWARE	6	6,582			6	6,582	29	2,271	2,300	34.94
FLORIDA	9	4,081			9	4,081	81	14	95	02.33
GEORGIA	79	33,794	1	2,180	80	35,974	1,345	4,150	5,495	15.27
IDAHO	90	81,646			90	81,646	12,427	20,951	33,378	40.88
ILLINOIS	656	818,466	23	120,824	679	939,290	85,370	334,096	419,466	44.66
INDIANA	215	196,768	15	87,346	230	284,114	31,165	83,405	114,570	40.33
IOWA	785	752,588	30	89,089	815	841,677	192,744	246,095	438,839	52.14
KANSAS	624	633,329	52	334,495	676	967,824	105,533	283,082	388,615	40.15
KENTUCKY	29	29,418	2	4,663	31	34,081	3,010	9,039	12,049	35.35
LOUISIANA	35	38,041	11	52,645	46	90,686	6,466	3,275	9,741	10.74
MAINE	4	2,091			4	2,091	1,037	77	1,114	53.28
MARYLAND	17	10,320	2	9,307	19	19,627	458	4,366	4,824	24.58
MASSACHUSETTS	1	61			1	61		2	2	03.28
MICHIGAN	107	86,622	5	24,863	112	111,485	8,190	31,900	40,090	35.96
MINNESOTA	445	295,173	29	140,019	474	435,192	134,363	59,065	193,428	44.45
MISSISSIPPI	61	66,028	1	3,960	62	69,988	2,870	13,533	16,403	23.44
MISSOURI	236	141,459	19	67,678	255	209,137	21,838	56,155	77,993	37.29
MONTANA	137	60,664	2	1,992	139	62,656	23,546	3,225	26,771	42.73
NEBRASKA	484	509,990	45	164,965	529	674,955	155,201	195,928	351,129	52.02

NUMBER, CAPACITY, AND UTILIZATION OF WAREHOUSES UNDER UNIFORM GRAIN STORAGE AGREEMENT PAGE 2 OF 2
BY STATES AS OF MARCH 31, 1986
IN THOUSANDS OF BUSHELS

STATE	UGSA COUNTRY-8 NUMBER	UGSA COUNTRY-8 CAPACITY	UGSA TERMINAL-9 NUMBER	UGSA TERMINAL-9 CAPACITY	UGSA TOTAL NUMBER	UGSA TOTAL CAPACITY	CCC-OWNED GRAIN IN WHSES.	GRAIN UNDER LOAN IN WHSES.	TOTAL SPACE UTILIZED	PERCENT UTILIZATION
NEVADA	1	241			1	241				
NEW JERSEY			1	551	1	551				
NEW MEXICO	11	11,065	1	8,420	12	19,485	1,347	7,385	8,732	44.81
NEW YORK	5	4,017	4	28,678	9	32,695	3,448	5,240	8,688	26.57
NORTH CAROLINA	53	43,276			53	43,276	1,567	11,316	12,883	29.77
NORTH DAKOTA	381	174,353	7	17,226	388	191,579	61,729	21,930	83,659	43.67
OHIO	188	159,187	21	88,606	209	247,793	16,637	62,311	78,948	31.86
OKLAHOMA	178	149,512	15	91,432	193	240,944	35,354	99,884	125,238	51.98
OREGON	32	58,823	4	15,410	36	74,233	8,015	25,292	33,307	44.87
PENNSYLVANIA	5	3,235	1	2,480	6	5,715	339	658	997	17.45
SOUTH CAROLINA	40	20,617			40	20,617	575	3,409	3,984	19.32
SOUTH DAKOTA	276	105,927	2	2,512	278	108,439	34,068	13,275	47,343	43.66
TENNESSEE	35	33,873	5	13,307	40	47,180	2,668	7,347	10,015	21.23
TEXAS	427	470,768	69	373,299	496	844,067	115,102	250,033	365,135	43.26
UTAH	5	2,809	3	8,317	8	11,126	797	551	1,348	12.12
VIRGINIA	21	7,196	2	10,300	23	17,496	893	1,771	2,664	15.23
WASHINGTON	87	214,777	8	34,917	95	249,694	29,813	89,043	118,856	47.60
WEST VIRGINIA	1	373			1	373	33	190	223	59.79
WISCONSIN	94	66,665	10	59,389	104	126,054	31,544	25,172	56,716	44.99
WYOMING	13	4,319			13	4,319	1,654	365	2,019	46.75
TOTAL	6,173	5,675,194	404	1,895,936	6,577	7,571,130	1,155,902	2,021,322	3,177,224	41.96

ASCS-IMD
COMMODITY MANAGEMENT BRANCH
AGRICULTURE - WASHINGTON
REPORT NO. TW-5R
MARCH 31, 1986

NUMBER, CAPACITY, AND UTILIZATION OF WAREHOUSES UNDER RICE STORAGE AGREEMENT
BY STATES AS OF MARCH 31, 1986
IN THOUSANDS OF CWT

STATE	URSA COUNTRY-8 NUMBER	URSA COUNTRY-8 CAPACITY	URSA TERMINAL-9 NUMBER	URSA TERMINAL-9 CAPACITY	URSA TOTAL NUMBER	URSA TOTAL CAPACITY	CCC-OWNED RICE IN WHSES.	RICE UNDER LOAN IN WHSES.	TOTAL SPACE UTILIZED	PERCENT UTILIZATION
ARKANSAS			112	79,258	112	79,258	15,393	18,687	34,080	43.00
CALIFORNIA			80	70,272	80	70,272	14,191	16,845	31,036	44.17
FLORIDA			1	295	1	295				
KANSAS			1	14,885	1	14,885				
LOUISIANA			65	29,878	65	29,878	4,105	2,543	6,648	22.25
MISSISSIPPI			24	9,932	24	9,932	1,155	1,537	2,692	27.10
MISSOURI			10	5,159	10	5,159	1,139	881	2,070	40.12
TENNESSEE			3	2,945	3	2,945		181	181	06.15
TEXAS			73	46,741	73	46,741	4,524	6,779	11,303	24.18
TOTAL			369	259,365	369	259,365	40,557	47,453	88,010	33.93

ASCS-IMD
COMMODITY MANAGEMENT BRANCH
AGRICULTURE - WASHINGTON
REPORT NO. TW-5R
MARCH 31, 1986

ONE PAGE ONLY

DAIRY STORAGE AND HANDLING COSTS

FREEZER

	COMMODITY	NET WEIGHT	--- HANDLING ---- RATE	CHARGES	---------- STORAGE ---------- RATE	CHGS/MONTH	CHGS/YEAR	---- COMBINED ----- RATE	CHGS/YEAR
CA- CALIFORNIA	BUTTER	26,913,059	.4592	$123,590	.3266	$87,910	$1,054,926	4.3790	$1,178,515
GA- GEORGIA	BUTTER	423,752	.4300	$1,822	.3000	$1,271	$15,255	4.0300	$17,077
IA- IOWA	BUTTER	4,292,050	.3890	$16,695	.2924	$12,093	$145,119	3.7789	$161,813
IL- ILLINOIS	BUTTER	27,134,467	.4703	$127,603	.3224	$87,651	$1,051,807	4.3385	$1,179,410
IN- INDIANA	BUTTER	6,244,840	.4000	$24,979	.2900	$18,110	$217,320	3.9900	$242,300
KS- KANSAS	BUTTER	23,271,707	.3803	$88,493	.2441	$56,804	$681,647	3.3093	$770,140
KY- KENTUCKY	BUTTER	43,344	.3800	$165	.3000	$130	$1,560	3.9800	$1,725
MD- MARYLAND	BUTTER	1,364,707	.5600	$7,642	.3300	$4,504	$54,042	4.5200	$61,685
MN- MINNESOTA	BUTTER	7,832,756	.4172	$32,884	.2952	$23,268	$279,212	3.9592	$312,096
MO- MISSOURI	BUTTER	37,634,975	.3981	$149,929	.2436	$91,672	$1,100,069	3.3211	$1,249,998
ND- NORTH DAKOTA	BUTTER	374,544	.3800	$1,423	.2700	$1,011	$12,135	3.6200	$13,558
NJ- NEW JERSEY	BUTTER	1,579,239	.5000	$7,896	.3300	$5,212	$62,540	4.4600	$70,436
NY- NEW YORK	BUTTER	4,809,454	.4151	$19,961	.3033	$14,567	$174,806	4.0543	$194,745
OH- OHIO	BUTTER	4,815,440	.4299	$20,700	.3020	$14,544	$174,528	4.0542	$195,228
OR- OREGON	BUTTER	1,341,973	.4600	$6,173	.3000	$4,026	$48,311	4.0600	$54,484
PA- PENNSYLVANIA	BUTTER	1,740,344	.5000	$8,706	.3400	$5,919	$71,025	4.5300	$79,731
TX- TEXAS	BUTTER	2,611,663	.4224	$11,031	.3282	$8,572	$102,869	4.3612	$113,900
WI- WISCONSIN	BUTTER	15,321,942	.3739	$42,808	.2815	$47,357	$569,287	3.7517	$631,135
U.S. AVERAGES & TOTALS		169,336,915	.4207	$712,470	.2362	$494,621	$5,815,455	3.8550	$6,527,925

DAIRY STORAGE AND HANDLING COSTS

COOLER

		NET	--- HANDLING ----		---------- STORAGE ----------			---- COMBINED -----	
	COMMODITY	WEIGHT	RATE	CHARGES	RATE	CHGS/MONTH	CHGS/YEAR	RATE	CHGS/YEAR
COMMODITY HAS NO RATE FOR WHSE = 00120 COMMODITY = 0610 7 1 STRG =					RAIL =		TRUCK =		
CA- CALIFORNIA	CHEESE	8,633,255	.3999	$34,523	.2951	$25,475	$305,699	3.9408	$340,222
CO- COLORADO	CHEESE	5,914,500	.4266	$25,223	.2538	$15,009	$180,113	3.4717	$205,336
FL- FLORIDA	CHEESE	1,190,400	.4000	$4,762	.2800	$3,333	$39,997	3.7600	$44,759
GA- GEORGIA	CHEESE	5,241,433	.4383	$22,973	.2500	$13,104	$157,243	3.4383	$180,216
COMMODITY HAS NO RATE FOR WHSE = 00203 COMMODITY = 0610 4 1 STRG =					RAIL =		TRUCK =		
IA- IOWA	CHEESE	30,273,587	.3716	$112,502	.2661	$80,549	$966,595	3.5642	$1,079,098
ID- IDAHO	CHEESE	2,142,252	.4000	$8,569	.2500	$5,356	$64,269	3.4000	$72,837
IL- ILLINOIS	CHEESE	25,682,383	.3000	$77,047	.2000	$51,365	$616,377	2.7000	$693,424
IN- INDIANA	CHEESE	7,532,439	.3960	$29,829	.2558	$19,266	$231,193	3.4653	$261,022
KS- KANSAS	CHEESE	44,802,513	.4015	$179,896	.2455	$109,986	$1,319,833	3.3474	$1,499,730
KY- KENTUCKY	CHEESE	7,310,920	.4049	$29,605	.2751	$20,109	$241,304	3.7056	$270,909
MA- MASSACHUSETTS	CHEESE	3,819,930	.5103	$19,492	.2851	$10,892	$130,702	3.9318	$150,193
MN- MINNESOTA	CHEESE	66,843,929	.3807	$254,519	.2601	$173,852	$2,086,220	3.5015	$2,340,739
MO- MISSOURI	CHEESE	135,127,623	.3673	$496,357	.2143	$289,590	$3,475,080	2.9390	$3,971,437
NB- NEBRASKA	CHEESE	21,161,835	.3592	$76,006	.2444	$51,711	$620,529	3.2915	$696,535
ND- NORTH DAKOTA	CHEESE	2,476,799	.4000	$9,907	.2500	$6,192	$74,304	3.4000	$84,211
NJ- NEW JERSEY	CHEESE	967,200	.5000	$4,836	.3200	$3,095	$37,140	4.3600	$41,976
NV- NEVADA	CHEESE	3,405,699	.4000	$13,623	.2800	$9,535	$114,431	3.7600	$128,054
NY- NEW YORK	CHEESE	12,031,713	.4494	$54,073	.2754	$33,139	$397,662	3.7545	$451,735
OH- OHIO	CHEESE	20,043,975	.4400	$88,198	.2737	$54,860	$658,319	3.7244	$746,517
PA- PENNSYLVANIA	CHEESE	2,938,420	.3650	$10,724	.2957	$8,689	$104,267	3.9134	$114,991

DAIRY STORAGE AND HANDLING COSTS

COOLER

	COMMODITY	NET WEIGHT	--- HANDLING ---- RATE	CHARGES	---------- STORAGE ---------- RATE	CHGS/MONTH	CHGS/YEAR	---- COMBINED ----- RATE	CHGS/YEAR
SC- SOUTH CAROLINA	CHEESE	2,548,177	.4600	$11,722	.2800	$7,135	$85,619	3.9200	$97,340
SD- SOUTH DAKOTA	CHEESE	9,445,133	.4320	$40,803	.2700	$25,502	$306,022	3.6720	$346,825
TN- TENNESSEE	CHEESE	855,510	.7000	$5,989	.3100	$2,652	$31,825	4.4200	$37,814
TX- TEXAS	CHEESE	3,319,223	.4900	$16,264	.2800	$9,294	$111,526	3.8500	$127,790
UT- UTAH	CHEESE	12,265,459	.4673	$57,326	.3107	$38,108	$457,291	4.1953	$514,617
VA- VIRGINIA	CHEESE	189,690	.2900	$550	.2400	$455	$5,463	3.1700	$6,013
WA- WASHINGTON	CHEESE	213,177	.4459	$973	.3239	$718	$8,612	4.3930	$9,586

COMMODITY HAS NO RATE FOR WHSE = 03947 COMMODITY = 0610 7 1 STRG = RAIL = TRUCK =

	COMMODITY	NET WEIGHT	HANDLING RATE	CHARGES	STORAGE RATE	CHGS/MONTH	CHGS/YEAR	COMBINED RATE	CHGS/YEAR
WI- WISCONSIN	CHEESE	128,851,429	.3463	$446,238	.2235	$287,983	$3,455,795	3.0281	$3,902,033
U.S. AVERAGES & TOTALS		555,251,365	.3773	$2,132,526	.2401	$1,356,951	$16,283,419	3.2580	$18,415,944

DAIRY STORAGE AND HANDLING COSTS

DRY

	COMMODITY	NET WEIGHT	HANDLING RATE	HANDLING CHARGES	STORAGE RATE	STORAGE CHGS/MONTH	STORAGE CHGS/YEAR	COMBINED RATE	COMBINED CHGS/YEAR
AR- ARKANSAS	POWDER	5,105,591	.2600	$13,275	.0700	$3,574	$42,887	1.1000	$56,162
CA- CALIFORNIA	POWDER	50,357,702	.4360	$219,580	.0857	$43,175	$518,098	1.4649	$737,678
CT- CONNECTICUT	POWDER	22,385,275	.4500	$100,738	.0930	$20,830	$249,965	1.5666	$350,703
IA- IOWA	POWDER	18,308,725	.4024	$73,671	.0807	$14,785	$177,417	1.3713	$251,089
ID- IDAHO	POWDER	28,051,372	.3512	$98,516	.0813	$22,799	$273,593	1.3265	$372,109
IL- ILLINOIS	POWDER	27,813,215	.2836	$78,881	.0739	$20,561	$246,735	1.1707	$325,616
IN- INDIANA	POWDER	7,830,203	.4033	$31,577	.0854	$6,690	$80,281	1.4285	$111,858
KS- KANSAS	POWDER	33,642,394	.3921	$131,916	.0871	$29,303	$351,638	1.4373	$483,553
KY- KENTUCKY	POWDER	3,741,302	.3999	$14,963	.0803	$3,004	$36,043	1.3633	$51,007
LA- LOUISIANA	POWDER	9,532,764	.4126	$39,328	.0850	$8,103	$97,234	1.4326	$136,562
MA- MASSACHUSETTS	POWDER	3,592,243	.3000	$10,777	.0850	$3,053	$36,641	1.3200	$47,418
MD- MARYLAND	POWDER	24,098,608	.4600	$110,854	.0850	$20,484	$245,805	1.4800	$356,659
MI- MICHIGAN	POWDER	70,083,896	.4897	$343,199	.0854	$59,822	$717,867	1.5139	$1,061,066
MN- MINNESOTA	POWDER	40,816,565	.3398	$138,700	.0823	$33,578	$402,932	1.3270	$541,632
MO- MISSOURI	POWDER	81,134,530	.3368	$273,254	.0781	$63,349	$760,184	1.2737	$1,033,438
NE- NEBRASKA	POWDER	124,391,699	.3697	$459,785	.0776	$96,541	$1,158,487	1.3011	$1,618,273
ND- NORTH DAKOTA	POWDER	6,992,232	.3566	$24,935	.0850	$5,943	$71,321	1.3766	$96,256
NJ- NEW JERSEY	POWDER	234,900	.4500	$1,057	.0850	$200	$2,396	1.4700	$3,453
NV- NEVADA	POWDER	46,234,532	.5000	$231,173	.0850	$39,299	$471,593	1.5200	$702,766
NY- NEW YORK	POWDER	42,049,065	.4001	$168,323	.0851	$35,815	$429,778	1.4217	$598,101
OH- OHIO	POWDER	15,939,993	.4355	$69,425	.0850	$13,549	$162,588	1.4555	$232,013
OR- OREGON	POWDER	45,363,962	.4010	$181,897	.0795	$36,051	$432,610	1.3546	$614,506
PA- PENNSYLVANIA	POWDER	25,157,902	.4143	$104,224	.0824	$20,727	$248,727	1.4032	$352,951

DAIRY STORAGE AND HANDLING COSTS

DRY

	COMMODITY	NET WEIGHT	--- HANDLING --- RATE	CHARGES	--- STORAGE --- RATE	CHGS/MONTH	CHGS/YEAR	--- COMBINED --- RATE	CHGS/YEAR
SD- SOUTH DAKOTA	POWDER	1,284,656	.4000	$5,139	.0800	$1,028	$12,333	1.3600	$17,471
TX- TEXAS	POWDER	75,894,363	.4198	$318,640	.0849	$64,430	$773,155	1.4386	$1,091,796
UT- UTAH	POWDER	10,151,941	.3034	$30,805	.0719	$7,296	$87,556	1.1659	$118,361
VA- VIRGINIA	POWDER	866,925	.4000	$3,468	.0830	$720	$8,639	1.3965	$12,107
WA- WASHINGTON	POWDER	19,873,906	.3883	$77,260	.0857	$17,025	$204,298	1.4167	$281,558
WI- WISCONSIN	POWDER	72,673,625	.3561	$258,792	.0806	$58,539	$702,469	1.3229	$961,261
U.S. AVERAGES & TOTALS		913,607,092	.3956 *	$3,614,141	.0821	$750,272	$9,003,259	1.3811	$12,617,399

HONEY STORAGE AND HANDLING COSTS 04/08/84 PAGE 01

DRY

	COMMODITY	NET WEIGHT	HANDLING RATE	HANDLING CHARGES	STORAGE RATE	STORAGE CHGS/MONTH	STORAGE CHGS/YEAR	COMBINED RATE	COMBINED CHGS/YEAR
AL- ALABAMA	HONEY	271,921	.1860	$506	.1100	$299	$3,589	1.5060	$4,095
AR- ARKANSAS	HONEY	743,513	.1530	$1,137	.1000	$744	$8,922	1.3530	$10,060
AZ- ARIZONA	HONEY	1,957,385	.1781	$3,486	.1261	$2,467	$29,623	1.6918	$33,115
CA- CALIFORNIA	HONEY	12,245,201	.1506	$18,440	.1001	$12,260	$147,113	1.3520	$165,557
CO- COLORADO	HONEY	717,187	.1467	$1,052	.1000	$717	$8,606	1.3467	$9,658
FL- FLORIDA	HONEY	4,157,939	.1637	$6,807	.1103	$4,585	$55,024	1.4871	$61,831
GA- GEORGIA	HONEY	1,409,854	.1550	$2,185	.0934	$1,317	$15,809	1.2763	$17,994
HI- HAWAII	HONEY	161,297	.1450	$234	.1200	$194	$2,323	1.5850	$2,557
IA- IOWA	HONEY	9,029,120	.1592	$14,370	.0934	$8,435	$101,231	1.2803	$115,601
ID- IDAHO	HONEY	4,792,420	.1721	$8,250	.0992	$4,753	$57,037	1.3623	$65,287
IL- ILLINOIS	HONEY	503,627	.1561	$786	.1000	$504	$6,044	1.3561	$6,830
KS- KANSAS	HONEY	110,745	.1552	$172	.1076	$119	$1,430	1.4463	$1,602
LA- LOUISIANA	HONEY	152,710	.1600	$244	.1100	$168	$2,016	1.4800	$2,260
ME- MAINE	HONEY	131,065	.1500	$197	.1000	$131	$1,573	1.3500	$1,769
MI- MICHIGAN	HONEY	2,779,348	.1663	$4,623	.1025	$2,849	$34,176	1.3959	$38,797
MN- MINNESOTA	HONEY	3,679,214	.1514	$5,570	.1039	$3,823	$45,878	1.3983	$51,448
MO- MISSOURI	HONEY	375,764	.1522	$572	.1000	$376	$4,509	1.3522	$5,081
MS- MISSISSIPPI	HONEY	374,928	.1639	$614	.1077	$404	$4,847	1.4568	$5,462
MT- MONTANA	HONEY	2,689,319	.1639	$4,407	.1100	$2,958	$35,499	1.4839	$39,906
NE- NEBRASKA	HONEY	5,412,039	.1529	$8,276	.1030	$5,572	$66,869	1.3885	$75,145
NC- NORTH CAROLINA	HONEY	122,305	.1514	$185	.1000	$122	$1,468	1.3514	$1,653
ND- NORTH DAKOTA	HONEY	13,607,405	.1654	$22,513	.1112	$15,131	$181,571	1.4998	$204,084
NH- NEW HAMPSHIRE	HONEY	33,439	.1700	$57	.1100	$37	$441	1.4900	$498

DRY

	COMMODITY	NET WEIGHT	--- HANDLING ----		---------- STORAGE ----------			---- COMBINED ----	
			RATE	CHARGES	RATE	CHGS/MONTH	CHGS/YEAR	RATE	CHGS/YEAR
NJ- NEW JERSEY	HONEY	66,435	.1450	$96	.1000	$66	$797	1.3450	$896
NM- NEW MEXICO	HONEY	962,377	.1600	$1,540	.1000	$962	$11,549	1.3500	$13,099
NY- NEW YORK	HONEY	1,625,457	.1630	$2,649	.1100	$1,788	$21,453	1.4826	$24,100
OR- OREGON	HONEY	244,587	.1750	$428	.1100	$269	$3,229	1.4950	$3,657
PA- PENNSYLVANIA	HONEY	86,235	.2100	$181	.1100	$95	$1,139	1.5300	$1,319
SD- SOUTH DAKOTA	HONEY	8,432,120	.1515	$12,949	.1051	$8,915	$106,982	1.4127	$119,931
TN- TENNESSEE	HONEY	19,555	.1600	$31	.1100	$22	$259	1.4900	$291
TX- TEXAS	HONEY	2,113,369	.1597	$3,376	.0964	$2,038	$24,458	1.3170	$27,832
UT- UTAH	HONEY	776,498	.1750	$1,359	.1000	$776	$9,318	1.3750	$10,677
VA- VIRGINIA	HONEY	130,413	.1551	$202	.1000	$130	$1,565	1.3551	$1,767
WA- WASHINGTON	HONEY	3,041,750	.1941	$5,905	.1200	$3,650	$43,801	1.6341	$49,706
WI- WISCONSIN	HONEY	1,802,991	.1585	$2,857	.1076	$1,939	$23,272	1.4492	$26,129
WY- WYOMING	HONEY	483,256	.1400	$677	.1000	$483	$5,799	1.3400	$6,476
U.S. AVERAGES & TOTALS		85,392,801	.1604	$136,933	.1045	$89,102	$1,069,221	1.4140	$1,206,055

STORAGE AND HANDLING RATES FOR COTTON
1985/86

STATE	NUMBER OF WAREHOUSES	CCC-OWNED UNINSURED AVERAGE RECEIVING RATE	 AVERAGE LOADOUT RATE	 AVERAGE STORAGE RATE (PER MO.)	RECONCENTRATED LOAN INSURED AVERAGE RECEIVING RATE	 AVERAGE LOADOUT RATE	 AVERAGE STORAGE RATE (PER MO.)	NONRECONCENTRATED LOAN INSURED AVERAGE RECEIVING RATE	 AVERAGE LOADOUT RATE	 AVERAGE STORAGE RATE (PER MO.)
		DOLLARS PER BALE								
ALABAMA	44	2.67	4.28	1.35	2.68	4.48	1.53	2.94	4.30	1.56
ARIZONA	7	*	4.59	1.95	*	4.46	2.02	*	4.46	2.02
ARKANSAS	27	1.80	7.20	1.52	1.74	7.17	1.58	2.36	7.20	1.60
CALIFORNIA	17	1.50	5.11	1.74	*	5.14	1.82	1.50	5.11	1.80
FLORIDA	2	2.00	4.00	1.40	*	*	*	2.00	4.00	1.50
GEORGIA	71	2.60	4.29	1.22	2.63	4.30	1.47	2.62	4.30	1.46
LOUISIANA	23	2.69	7.20	1.74	2.68	7.22	1.83	3.19	7.20	1.86
MISSISSIPPI	39	1.83	6.95	1.50	1.84	6.90	1.56	2.46	6.95	1.61
MISSOURI	6	1.50	7.21	1.42	1.50	7.20	1.50	1.50	7.21	1.50
NORTH CAROLINA	29	2.24	2.66	1.18	2.17	2.58	1.27	2.25	2.66	1.29
NEW MEXICO	6	1.55	4.42	1.46	1.70	4.25	1.51	1.55	4.42	1.56
OKLAHOMA	6	1.85	4.03	1.38	1.85	4.03	1.43	1.85	4.03	1.43
SOUTH CAROLINA	33	2.06	2.83	1.15	2.00	2.76	1.24	2.07	2.83	1.30
TENNESSEE	9	1.85	6.92	1.45	1.85	6.88	1.50	1.35	6.81	1.50
TEXAS	89	2.29	3.73	1.29	2.31	3.75	1.37	2.39	3.73	1.37
NATIONAL AVERAGE	408	2.28	4.68	1.37	2.25	4.73	1.48	2.45	4.68	1.50

*NO QUOTED RATE AVAILABLE FOR THIS SERVICE

USDA/ASCS/WHD/SCB
April 30, 1986

```
AS OF: 05/31/86                              NATIONAL WEIGHTED AVERAGE WAREHOUSE RATES                                REPORT ID: WHSENATL

              ----------------------------------------CENTS PER BUSHEL----------------------------------------    -----CENTS/BU/YEAR----
              ...TRUCK.. ..HOPPER.. .BOX RAIL. ...WATER.. ...TRUCK.. ..HOPPER.. .BOX RAIL. ...BARGE.. OTHR WATER  .UNINSURED   ..INSURED.
              .RECEIVING .RECEIVING .RECEIVING .RECEIVING .LOAD OUT. .LOAD OUT. .LOAD OUT. .LOAD OUT. .LOAD OUT.  ..STORAGE.   ..STORAGE.
               CNT  RATE  CNT  RATE  CNT  RATE  CNT  RATE  CNT  RATE  CNT  RATE  CNT  RATE  CNT  RATE  CNT  RATE   CNT  RATE   CNT  RATE

=====> WHEAT
  83-84 - 4874  8.62 2730  7.75 2347  9.68   81  6.67 4786  8.10 3913  7.73 3174  8.46  208  6.52   50  4.79  4867 33.50  4869 33.57
  84-85 - 4915  8.77 2755  7.93  747  9.99   97  6.41 4981  8.52 3938  8.14 1052  9.77  224  6.96   48  4.50  5004 33.14  5004 33.21
  85-86 - 4721  8.44 2539  7.54  652  9.20   75  6.16 4687  8.35 3731  7.97  919  9.26  204  6.54   48  4.70  4793 32.54  4794 32.62

=====> CORN
  83-84 - 5380  8.38 2663  7.85 3331  8.73   79  6.70 5386  8.01 4021  7.37 3490  8.75  201  6.67   46  4.91  5445 33.12  5447 33.19
  84-85 - 5469  8.37 2725  7.78  754 10.19   95  6.56 5467  8.71 3980  8.04 1054  9.97  215  7.07   45  4.64  5564 32.89  5564 32.94
  85-86 - 5271  8.29 2519  7.70  660  9.25   74  6.30 5261  8.30 3910  8.10  979  9.44  192  6.35   44  4.84  5346 32.12  5347 32.16

=====> BARLEY
  83-84 - 2868  8.95 1901  7.77 1648  8.70   57  6.40 2841  8.02 2560  7.58 2210  8.57  125  6.44   44  4.72  2888 33.22  2889 33.26
  84-85 - 2953  8.73 1953  7.60  589 10.14   72  6.46 2920  8.19 2591  7.70  807  9.99  147  6.23   44  4.50  2985 32.78  2985 32.82
  85-86 - 2869  8.70 1815  7.50  511  9.31   51  5.75 2817  8.33 2405  7.83  720  9.34  121  6.31   43  4.58  2880 32.32  2881 32.36

=====> OATS
  83-84 - 2577  8.58 1510  7.76 1195  9.01   34  6.73 2570  8.03 2121  7.70 1691  8.92   85  6.25   26  5.05  2600 33.20  2601 33.25
  84-85 - 4135  8.56 2292  7.97  679  9.93   69  6.75 4126  8.30 3300  8.06  983  9.73  137  6.90   39  4.90  4190 32.38  4190 32.41
  85-86 - 4004  5.27 2115  7.60  594  9.19   43  6.34 3991  8.19 3154  7.90  874  9.28  121  6.32   37  4.88  4051 31.71  4052 31.74

=====> RYE
  83-84 - 2227  8.73 1514  7.48 1710  9.42   50  6.25 2209  7.82 1994  7.39 1705  8.42   59  6.10   32  4.44  2246 33.74  2246 33.80
  84-85 - 2293  8.53 1555  7.29  477  9.77   62  6.43 2268  7.96 2036  7.49  673  9.55  104  6.33   32  4.24  2316 33.25  2316 33.29
  85-86 - 2223  8.61 1457  7.34  429  8.78   44  5.85 2193  8.16 1951  7.62  612  8.89   98  5.72   31  4.18  2243 32.76  2244 32.79

=====> FLAXSEED
  83-84 - 1438  8.34  935  7.43  546  9.72   20  5.71 1427  7.30 1298  7.09 1131  8.45   78  5.81   15  4.41  1448 34.92  1448 34.96
  84-85 - 1453  8.13 1005  7.17  338 10.05   27  6.79 1437  7.45 1292  7.16  477  9.36   49  6.37   13  4.26  1465 34.08  1465 34.13
  85-86 - 1409  8.30  931  7.43  307  8.43   16  5.10 1397  7.82 1232  7.54  437  8.10   40  5.49   12  4.29  1418 33.92  1418 33.93

=====> SOYBEANS
  83-84 - 4755  8.48 2351  7.81 2078  9.54   76  6.80 4759  9.14 3580  7.91 3077  8.69  193  6.98   45  5.10  4814 34.80  4815 34.88
  84-85 - 4870  8.53 2417  7.79  665  9.86   93  6.72 4872  8.39 3558  8.08  946  9.79  207  7.32   42  4.88  4957 34.59  4957 34.67
  85-86 - 4733  8.38 2253  7.63  589  9.96   72  6.42 4732  8.44 3431  8.14  861  9.27  188  6.37   42  4.99  4804 33.83  4805 33.90

=====> SORGHUM
  83-84 - 2795  9.41 1810  7.98 1541  9.99   61  6.44 2786  8.42 2366  7.90 1986  9.08  125  6.14   36  4.12  2822 32.81  2822 32.90
  84-85 - 2909  9.18 1838  7.70  467 10.29   79  6.66 2893  8.51 2417  7.92  613  9.96  142  6.40   36  3.76  2944 32.44  2945 32.51
  85-86 - 2799  9.07 1744  7.71  425  9.40   60  6.09 2786  8.58 2294  8.04  583  9.35  129  6.08   33  3.67  2829 32.05  2830 32.12


                          -----------------------CENTS PER CWT----------------------                        -----CENTS/CWT/YEAR-----
                          COMMINGLED  IDENT PRES                 COMMINGLED  IDENT PRES                     COMMINGLED   IDENT PRES
                          .RECEIVING  .RECEIVING                 .LOAD OUT.  .LOAD OUT.                     ..STORAGE..  ..STORAGE..
                           CNT  RATE   CNT  RATE                  CNT  RATE   CNT  RATE                     CNT    RATE   CNT   RATE

ROUGH RICE       83-84 -   298 11.83   121 11.14                  298 12.00   121 11.63                     299  102.96   117  97.31
                 84-85 -   341 12.65                              341 13.09                                 341  108.42     1  59.86
                 85-86 -   316 12.64                              316 13.31                                 316  108.80     1  68.00
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WEIGHTED AVERAGE HANDLING AND STORAGE RATES
FOR COMINGLED ROUGH RICE

STATE	1983/84 NO. OF WHSES	1984/85 NO. OF WHSES	1985/86 NO. OF WHSES	1983/84 RECEIVING CHARGES	1984/85 RECEIVING CHARGES	1985/86 RECEIVING CHARGES	1983/84 LOADOUT CHARGES	1984/85 LOADOUT CHARGES	1985/86 LOADOUT CHARGES	1983/84 ANNUAL STORAGE RATES	1984/85 ANNUAL STORAGE RATES	1985/86 ANNUAL STORAGE RATES
				CENTS PER HUNDREDWEIGHT								
ARKANSAS	86	102	94	16.4	17.2	16.5	15.1	16.3	15.8	102.80	110.80	111.56
CALIFORNIA	66	82	72	9.3	9.7	9.5	11.1	11.8	11.5	104.97	111.65	107.37
KANSAS	0	0	1	.0	.0	15.0	.0	.0	20.2	.00	.00	121.54
LOUISIANA	59	62	57	10.2	11.0	11.3	10.3	11.7	10.9	100.28	100.96	102.62
MISSISSIPPI	19	21	21	13.5	17.8	13.8	10.4	10.6	12.4	103.47	101.67	108.52
MISSOURI	4	5	6	18.0	19.4	17.1	21.1	21.3	22.9	104.48	116.05	110.96
TENNESSEE	0	1	1	.0	11.5	11.5	.0	11.5	11.5	.00	98.55	102.56
TEXAS	64	68	64	9.3	9.9	10.0	9.3	10.5	10.0	101.03	104.70	105.15
U.S. TOTAL	298	341	316	11.8	12.7	12.6	12.0	13.1	13.3	102.96	108.42	108.80

pril 8, 1986

COST OF STORAGE AND HANDLING OF DAIRY COMMODITIES AND HONEY IN STORE
AS OF March 31, 1986

	FREEZER	COOLER	DRY	
	Butter	Cheese	Nonfat_Dry_Milk	Honey
uantity in_Pounds	169,336,815	565,251,365	913,607,082	85,292,801
andling_Costs Cents Per CWT	42.0	37.7	39.6	16.0
Total per Year	$ 712,470	$ 2,132,526	$ 3,614,141	$ 136,833
torage_Cost Cents per CWT per Mo.	28.6	24.0	8.2	10.5
Total per Month	$ 484,621	$ 1,356,951	$ 750,272	$ 89,102
otal Annual Cost of torage_and Handling / 2/				
Cents per Pound	3.86	3.25	1.38	1.41
Dollars	$ 6,527,925	$18,415,944	$12,617,399	$ 1,206,055

/ Includes one year of storage plus one in and out handling charge.

/ Total annual costs of storage and handling for dairy products and honey would be $38.7 million.

SDA/ASCS/WD/SCB

PAGE: 1 ALL BUTTER 06/07/1984

STATE	WARE #	--- U.S. GRADE AA OR A ----			*** U.S. GRADE B OR C ****			-------- NO GRADE --------			***** TOTAL *****	
		LBS	AVG AGE	%	LBS	AVG AGE	%	LBS	AVG AGE	%	AVG AGE	LBS
	120	5,999,614	177	96.90		XXXXX		192,000	123	3.10	175	6,191,614
	727	2,876,768	135	92.58		XXXXX		230,449	193	7.42	139	3,107,217
	738	2,987,102	112	61.28		XXXXX		1,887,108	122	38.72	116	4,874,210
	1240	922,968	99	96.01		XXXXX		38,400	50	3.99	97	961,368
	1505	11,125,717	229	94.46		XXXXX		652,932	129	5.54	223	11,778,649
CA		23,912,169	185	88.85		XXXXX		3,000,889	128	11.15	178	26,913,058
	1559		XXXXX			XXXXX		423,752	101	100.00	101	423,752
GA			XXXXX			XXXXX		423,752	101	100.00	101	423,752
	191	2,182,031	104	100.00		XXXXX			XXXXX		104	2,182,031
	192	1,017,300	145	100.00		XXXXX			XXXXX		145	1,017,300
	194	1,082,719	81	100.00		XXXXX			XXXXX		81	1,082,719
IA		4,282,050	108	100.00		XXXXX			XXXXX		108	4,282,050
	159	703,664	131	89.83		XXXXX		79,648	124	10.17	131	783,312
	164	365,133	66	100.00		XXXXX			XXXXX		66	365,133
	168	2,459,500	95	100.00		XXXXX			XXXXX		95	2,459,500
	169	2,741,140	91	100.00		XXXXX			XXXXX		91	2,741,140
	177	7,142,625	87	100.00		XXXXX			XXXXX		87	7,142,625
	304	7,896,245	135	99.52		XXXXX		38,400	50	.48	136	7,934,645
	977	4,279,261	110	100.00		XXXXX			XXXXX		110	4,279,261
	1422	1,480,851	126	100.00		XXXXX			XXXXX		126	1,480,851
IL		27,068,419	107	99.57		XXXXX		118,048	101	.43	107	27,186,467
	1385	6,244,840	90	100.00		XXXXX			XXXXX		90	6,244,840
IN		6,244,840	90	100.00		XXXXX			XXXXX		90	6,244,840
	215	1,780,885	56	100.00		XXXXX			XXXXX		56	1,780,885
	216	20,424,324	119	98.88		XXXXX		230,364	193	1.12	120	20,654,688
	506	706,086	59	100.00		XXXXX			XXXXX		59	706,086
	1355		XXXXX			XXXXX		130,048	265	100.00	265	130,048
KS		22,911,295	114	98.45		XXXXX		360,412	219	1.55	116	23,271,707
	1122		XXXXX			XXXXX		43,366	203	100.00	203	43,366
KY			XXXXX			XXXXX		43,366	203	100.00	203	43,366
	233	1,396,717	94	100.00		XXXXX			XXXXX		94	1,396,717
MD		1,396,717	94	100.00		XXXXX			XXXXX		94	1,396,717
	262	5,614,856	77	100.00		XXXXX			XXXXX		77	5,614,856
	265	1,344,228	74	100.00		XXXXX			XXXXX		74	1,344,228
	269	38,612	112	100.00		XXXXX			XXXXX		112	38,612
	769	160,919	50	100.00		XXXXX			XXXXX		50	160,919
	1399	724,343	81	100.00		XXXXX			XXXXX		81	724,343
MN		7,882,958	77	100.00		XXXXX			XXXXX		77	7,882,958
	334	33,044,698	179	96.85		XXXXX		1,073,137	192	3.15	179	34,117,835
	931	3,555,180	91	100.00		XXXXX			XXXXX		91	3,555,180
MO		36,599,878	170	97.15		XXXXX		1,073,137	192	2.85	171	37,673,015
	352	374,544	60	100.00		XXXXX			XXXXX		60	374,544

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PAGE:    2                                A L L   B U T T E R                                                          04/07/1986

STATE   WHSE #  ---- U.S. GRADE AA OR A ---- *** U.S. GRADE B OR C ****  --------  NO GRADE  --------  *****  TOTAL  *****
                     LBS      AVG AGE   %          LBS   AVG AGE   %          LBS    AVG AGE     %     AVG AGE      LBS

ND                 374,544       60  100.00               XXXXX                       XXXXX               60      374,544

          1154   1,540,877       80   97.57               XXXXX               38,412      81     2.43      80    1,579,289
NJ               1,540,877       80   97.57               XXXXX               38,412      81     2.43      80    1,579,289

          1348   2,234,610       85  100.00               XXXXX                       XXXXX               85    2,234,610
          1428   2,568,834       85  100.00               XXXXX                       XXXXX               85    2,568,834
NY               4,803,444       85  100.00               XXXXX                       XXXXX               85    4,803,444

           357   1,379,495       83  100.00               XXXXX                       XXXXX               83    1,379,495
          1138   1,894,112       64  100.00               XXXXX                       XXXXX               64    1,894,112
          1309     543,682      107  100.00               XXXXX                       XXXXX              107      543,682
          1330                XXXXX                       XXXXX              307,200      69   100.00      69      307,200
          1717                XXXXX                       XXXXX              191,960      62   100.00      62      191,960
OH               3,816,280       80   89.63               XXXXX              499,160      67    10.37      79    4,315,440

           373   1,341,973      117  100.00               XXXXX                       XXXXX              117    1,341,973
OR               1,341,973      117  100.00               XXXXX                       XXXXX              117    1,341,973

          1287   1,625,633       93   93.38               XXXXX              115,233      60     6.62      91    1,740,866
PA               1,625,633       93   93.38               XXXXX              115,233      60     6.62      91    1,740,866

           407     230,472       75   75.00               XXXXX               76,824      50    25.00      69      307,296
          1439   2,304,367      106  100.00               XXXXX                       XXXXX              106    2,304,367
TX               2,534,839      103   97.06               XXXXX               76,824      50     2.94     101    2,611,663

           450     552,056       70  100.00               XXXXX                       XXXXX               70      552,056
           451   6,453,505       67  100.00               XXXXX                       XXXXX               67    6,453,505
           932   2,308,775       65  100.00               XXXXX                       XXXXX               65    2,308,775
          1108     590,941       74  100.00               XXXXX                       XXXXX               74      590,941
          1163                XXXXX                       XXXXX              230,461     173   100.00     173      230,461
          1231   3,534,916       79  100.00               XXXXX                       XXXXX               79    3,534,916
          1364                XXXXX                       XXXXX              199,872     112   100.00     112      199,872
          1534   2,454,155       93   83.10               XXXXX              499,265     147    16.90     102    2,953,420
WI              15,894,344       74   94.47               XXXXX              929,598     145     5.53      78   16,823,942

NATIONAL TOTALS 162,728,054     126   96.06               XXXXX            6,678,811     137     3.94     127  169,406,865
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C H E D D A R   C H E E S E

04/07/1986

STATE	WHSE #	--- U.S. GRADE AA OR A ----			*** U.S. GRADE B OR C ****			-------- NO GRADE --------			***** TOTAL *****	
		LBS	AVG AGE	%	LBS	AVG AGE	%	LBS	AVG AGE	%	AVG AGE	LBS
	120	220,773	550	100.00		XXXXX			XXXXX		550	220,773
	727	3,792,094	351	100.00		XXXXX			XXXXX		351	3,792,094
	1505	3,792,130	147	89.18		XXXXX		459,751	791	10.82	233	4,251,881
CA		7,804,997	271	94.45		XXXXX		459,751	791	5.55	299	8,263,758
	191	1,355,939	302	100.00		XXXXX			XXXXX		302	1,355,939
	192	41,599	81	100.00		XXXXX			XXXXX		81	41,599
	193	2,101,399	286	96.04		XXXXX		86,553	415	3.96	291	2,187,952
	194	1,059,228	429	70.26		XXXXX		448,453	578	29.74	473	1,507,681
	203	741,492	401	100.00		XXXXX			XXXXX		401	741,492
	531	163,853	201	78.78		XXXXX		44,136	630	21.22	292	207,989
	1217	7,723,946	236	100.00		XXXXX			XXXXX		296	7,723,946
	1551	340,497	322	100.00		XXXXX			XXXXX		322	340,497
	1571	1,063,195	142	100.00		XXXXX			XXXXX		142	1,063,195
	1603	2,343,625	237	100.00		XXXXX			XXXXX		237	2,343,625
	1653	3,661,969	318	100.00		XXXXX			XXXXX		318	3,661,969
	1660	3,515,228	453	100.00		XXXXX			XXXXX		453	3,515,228
	1322	499,173	697	100.00		XXXXX			XXXXX		697	499,173
	1323	677,340	308	86.93		XXXXX		101,836	630	13.07	350	779,176
	1853	834,033	362	100.00		XXXXX			XXXXX		362	834,033
	1879	4,223,696	265	100.00		XXXXX			XXXXX		266	4,223,696
IA		30,336,081	315	97.80		XXXXX		680,998	568	2.20	320	31,017,079
	1435	657,676	448	100.00		XXXXX			XXXXX		448	657,676
	1853	1,484,576	325	100.00		XXXXX			XXXXX		328	1,484,576
ID		2,142,252	365	100.00		XXXXX			XXXXX		365	2,142,252
	723	12,815,448	265	100.00		XXXXX			XXXXX		266	12,815,448
IL		12,815,448	265	100.00		XXXXX			XXXXX		266	12,815,448
	1586	29,206	1,361	100.00		XXXXX			XXXXX		1,361	29,206
	1775	2,511,132	292	100.00		XXXXX			XXXXX		292	2,511,132
IN		2,540,338	295	100.00		XXXXX			XXXXX		295	2,540,338
	215	2,429,651	338	100.00		XXXXX			XXXXX		338	2,429,651
	216	24,051,881	254	99.58		XXXXX		102,412	965	.42	257	24,154,293
	219	7,597,825	212	100.00		XXXXX			XXXXX		212	7,597,825
	606	5,340,524	279	100.00		XXXXX			XXXXX		279	5,340,524
KS		39,419,981	254	99.74		XXXXX		102,412	965	.26	256	39,522,393
	1598	2,511,957	335	96.91		XXXXX		80,066	387	3.09	336	2,592,023
KY		2,511,957	335	96.91		XXXXX		80,066	387	3.09	336	2,592,023
	262	1,698,949	389	49.98		XXXXX		1,700,206	577	50.02	493	3,399,155
	265	3,574,662	198	100.00		XXXXX			XXXXX		198	3,574,662
	269	1,294,588	397	49.08		XXXXX		1,343,199	509	50.92	449	2,637,787
	637	376,932	752	78.20		XXXXX		105,062	781	21.80	758	481,994
	760	4,666,135	329	86.84		XXXXX		707,171	563	13.16	359	5,373,306
	905	3,978,016	223	100.00		XXXXX			XXXXX		223	3,978,016
	1162	1,656,266	396	52.46		XXXXX		1,501,083	545	47.54	514	3,157,349

PAGE: 2 C H E D D A R   C H E E S E 04/07/1986

STATE	WHSE #	--- U.S. GRADE AA OR A ----			*** U.S. GRADE B OR C ****			------- NO GRADE -------			***** TOTAL *****	
		LBS	AVG AGE	%	LBS	AVG AGE	%	LBS	AVG AGE	%	AVG AGE	LBS
	1441	4,594,484	361	56.74		XXXXX		3,503,561	595	43.26	462	8,098,045
	1517	265,475	162	100.00		XXXXX			XXXXX		162	265,475
	1620	3,035,203	245	100.00		XXXXX			XXXXX		245	3,035,203
	1719	9,080,614	351	89.22		XXXXX		1,097,042	496	10.78	365	10,177,656
	1783	761,602	415	50.67		XXXXX		741,421	430	49.33	423	1,503,023
	1823	13,091,515	346	100.00		XXXXX			XXXXX		346	13,091,515
	1902	6,946,497	77	100.00		XXXXX			XXXXX		77	6,946,497
MN		55,023,053	295	83.72		XXXXX		10,698,745	565	16.28	339	65,721,798
	493	1,656,129	271	100.00		XXXXX			XXXXX		271	1,656,129
	793	23,165,850	337	99.55		XXXXX		105,742	973	.45	340	23,271,592
	834	15,341,983	230	96.63		XXXXX		570,594	332	3.37	233	15,912,577
	931	6,044,255	223	99.99		XXXXX		535	812	.01	223	6,044,790
	1172	17,359,367	274	97.33		XXXXX		476,736	1,072	2.67	295	17,836,103
	1453	12,687,547	258	99.24		XXXXX		97,458	356	.76	259	12,785,005
	1444	5,901,790	283	100.00		XXXXX			XXXXX		283	5,901,790
	2007	77,489	1,118	100.00		XXXXX			XXXXX		1,118	77,489
	2009	15,605,963	674	100.00		XXXXX			XXXXX		674	15,605,963
	2010	20,921,396	580	100.00		XXXXX			XXXXX		580	20,921,396
MO		120,661,737	398	98.97		XXXXX		1,251,085	662	1.03	401	121,912,822
	891	43,249	599	14.94		XXXXX		246,210	538	85.06	545	289,459
	997	3,919,306	273	100.00		XXXXX			XXXXX		273	3,919,306
	1446	8,446,337	228	100.00		XXXXX			XXXXX		228	8,446,337
	1637	633,936	173	100.00		XXXXX			XXXXX		173	633,936
	1671	4,854,241	326	100.00		XXXXX			XXXXX		326	4,854,241
	1787	328,145	411	53.67		XXXXX		283,259	437	46.33	423	611,404
	1795	1,157,286	335	75.13		XXXXX		383,170	321	24.87	324	1,540,456
	1899	792,299	147	100.00		XXXXX			XXXXX		147	792,299
NC		20,174,797	265	95.67		XXXXX		912,638	415	4.33	271	21,087,435
	1619	2,476,799	362	100.00		XXXXX			XXXXX		362	2,476,799
ND		2,476,799	362	100.00		XXXXX			XXXXX		362	2,476,799
	1415	3,405,689	228	100.00		XXXXX			XXXXX		228	3,405,689
NV		3,405,689	228	100.00		XXXXX			XXXXX		228	3,405,689
	1243	725,463	129	100.00		XXXXX			XXXXX		129	725,463
NY		725,463	129	100.00		XXXXX			XXXXX		129	725,463
	357	7,144,276	137	85.28		XXXXX		1,233,597	353	14.72	168	8,377,873
	1239	67,041	387	100.00		XXXXX			XXXXX		387	67,041
	1530	205,673	112	100.00		XXXXX			XXXXX		112	205,673
	1826	3,336,441	120	100.00		XXXXX			XXXXX		120	3,336,441
OH		10,753,431	133	89.71		XXXXX		1,233,597	353	10.29	155	11,987,028
	1287	30,565	142	100.00		XXXXX			XXXXX		142	30,565
	1348		XXXXX			XXXXX		35,188	1,742	100.00	1,742	35,188
PA		30,565	142	46.48		XXXXX		35,188	1,742	53.52	998	65,753
	969	3,401,654	429	100.00		XXXXX			XXXXX		429	3,401,654

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PAGE:    3                                  C H E D D A R   C H E E S E                                                  06/07/1985

STATE    WHSE #  --- U.S. GRADE AA OR A ----  *** U.S. GRADE B OR C ****  -------- NO GRADE --------  ***** TOTAL *****
                       LBS      AVG AGE    %      LBS     AVG AGE    %           LBS    AVG AGE     %     AVG AGE      LBS

         1525      6,043,470      222  100.00              XXXXX                        XXXXX              222    6,043,470
SD                 9,445,131      297  100.00              XXXXX                        XXXXX              297    9,445,133

          407      3,319,223      439  100.00              XXXXX                        XXXXX              439    3,319,223
TX                 3,319,223      439  100.00              XXXXX                        XXXXX              439    3,319,223

         1344      4,038,732      309  100.00              XXXXX                        XXXXX              309    4,098,732
         1454      5,988,381      271   95.98              XXXXX           250,855     630     4.02       295    6,239,236
         1549        962,192      232  100.00              XXXXX                        XXXXX              232      962,192
UT                11,019,303      282   97.77              XXXXX           250,855     630     2.23       290   11,270,158

         1735         73,473      250  100.00              XXXXX                        XXXXX              250       73,473
VA                    73,473      250  100.00              XXXXX                        XXXXX              250       73,473

          469      1,417,752      258  100.00              XXXXX                        XXXXX              258    1,417,752
          470      1,564,198      236  100.00              XXXXX                        XXXXX              236    1,564,198
          473        504,901      331  100.00              XXXXX                        XXXXX              331      504,901
          525      6,742,956      398  100.00              XXXXX                        XXXXX              398    6,742,956
          539      3,330,432      374  100.00              XXXXX                        XXXXX              374    3,330,432
          708      4,732,339      391  100.00              XXXXX                        XXXXX              391    4,732,339
          908      4,566,011      340  100.00              XXXXX                        XXXXX              340    4,566,011
          928      4,277,673      261   93.73              XXXXX           285,963     356     6.27       267    4,563,636
          947      2,397,640      292  100.00              XXXXX                        XXXXX              292    2,397,640
          957     11,566,462      306  100.00              XXXXX                        XXXXX              306   11,566,462
         1265      6,750,232      311   92.09              XXXXX           579,862     459     7.91       323    7,330,094
         1279      5,903,670      263  100.00              XXXXX                        XXXXX              263    5,903,670
         1281        390,294      446  100.00              XXXXX                        XXXXX              446      390,294
         1364      3,389,953      465   93.46              XXXXX           237,193     395     6.54       450    3,627,146
         1426      2,111,058      231  100.00              XXXXX                        XXXXX              231    2,111,058
         1427      5,750,439      328  100.00              XXXXX                        XXXXX              328    5,750,439
         1497        511,732      197  100.00              XXXXX                        XXXXX              197      511,732
         1534      6,665,549      333   95.22              XXXXX           334,574     737     4.78       400    7,000,123
         1535     23,107,029      313  100.00              XXXXX                        XXXXX              313   23,107,029
         1597        440,434      275  100.00              XXXXX                        XXXXX              275      440,434
         1598      6,344,662      309  100.00              XXXXX                        XXXXX              309    6,344,662
         1702      3,244,897      365  100.00              XXXXX                        XXXXX              365    3,244,897
         1731      4,536,261      272  100.00              XXXXX                        XXXXX              272    4,536,261
         1829      8,538,795      335   97.01              XXXXX           262,862     315     2.99       334    8,801,657
         1866        126,307      217  100.00              XXXXX                        XXXXX              217      126,307
         1867         75,173      334  100.00              XXXXX                        XXXXX              334       75,173
         1906         86,139       50  100.00              XXXXX                        XXXXX               50       86,139
WI               119,062,983      324   98.59              XXXXX         1,700,455     465     1.41       326  120,763,439

NATIONAL TOTALS  453,742,693      322   96.31              XXXXX        17,404,811     550     3.69       331  471,147,504
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UNPROCESSED HONEY

60 LB CANS AND 55 GALLON BARRELS

STATE	ACCT #	------- TABLE GRADE ------- LBS	AV STG AGE	%	---- NON TABLE GRADE ----- LBS	AV STG AGE	%	--- GRADE NOT CERTIFIED -- LBS	AV STG AGE	%	----- TOTAL ----- AV STG AGE	LBS
	2402	189,326	311	69.63	82,595	317	30.37		XXXXX		313	271,921
AL		189,326	311	69.63	82,595	317	30.37		XXXXX		313	271,921
	2342	304,229	315	97.59	7,512	311	2.41		XXXXX		315	311,741
	2417	423,561	316	98.10	8,216	315	1.90		XXXXX		316	431,777
AR		727,790	316	97.88	15,728	314	2.12		XXXXX		316	743,518
	2333	444,911	354	100.00		XXXXX			XXXXX		354	444,911
	2347	655,902	319	100.00		XXXXX			XXXXX		319	655,902
	2436	10,291	310	100.00		XXXXX			XXXXX		310	10,291
	2445	541,439	309	99.54	2,952	299	.46		XXXXX		309	544,391
AZ		1,954,433	322	99.85	2,952	299	.15		XXXXX		322	1,957,385
	125	249,752	326	100.00		XXXXX			XXXXX		326	249,752
	1473	2,103,258	283	95.28	104,245	279	4.72		XXXXX		283	2,207,503
	2305	2,477,367	311	95.92	105,285	355	4.08		XXXXX		313	2,582,652
	2307	3,529,410	283	93.35	231,293	296	6.11	20,454	492	.54	285	3,781,157
	2332	598,225	306	82.15	123,931	305	17.85		XXXXX		306	722,156
	2329	1,016,351	194	100.00		XXXXX			XXXXX		194	1,016,351
	2346	480,040	250	100.00		XXXXX			XXXXX		250	480,040
	2453	72,271	212	92.01	6,280	223	7.99		XXXXX		213	78,551
	2545	891,227	239	100.00		XXXXX			XXXXX		239	891,227
	2643	84,195	310	35.69	151,727	641	64.31		XXXXX		523	235,922
CA		11,497,006	275	93.89	727,561	375	5.94	20,454	492	.17	284	12,245,021
	2424	192,212	308	100.00		XXXXX			XXXXX		308	192,212
	2454	381,424	314	72.66	143,551	326	27.34		XXXXX		318	524,975
CO		573,636	312	79.98	143,551	326	20.02		XXXXX		315	717,187
	142	187,666	286	71.36	75,322	285	28.64		XXXXX		286	262,988
	2314	249,543	316	96.93	7,900	311	3.07		XXXXX		316	257,443
	2327	989,330	310	76.80	298,879	307	23.20		XXXXX		309	1,288,209
	2329	567,732	313	99.35	3,691	321	.65		XXXXX		313	571,423
	2351	493,725	316	60.45	323,086	313	39.55		XXXXX		315	816,811
	2353	212,906	314	70.37	89,658	313	29.63		XXXXX		314	302,564
	2444	10,562	305	2.28	453,593	316	97.72		XXXXX		316	464,155
	2471	175,883	313	90.50	18,456	312	9.50		XXXXX		313	194,339
FL		2,887,397	311	69.44	1,270,535	310	30.56		XXXXX		311	4,157,932
	152	888,753	317	96.15	35,626	297	3.85		XXXXX		316	924,379
	2330	14,205	317	100.00		XXXXX			XXXXX		317	14,205
	2413	366,024	305	77.67	105,246	344	22.33		XXXXX		314	471,270
GA		1,268,982	314	90.01	140,872	332	9.99		XXXXX		316	1,409,854
	2492	117,381	318	72.77	43,916	318	27.23		XXXXX		318	161,297
HI		117,381	318	72.77	43,916	318	27.23		XXXXX		318	161,297
	211	7,445,806	326	100.00		XXXXX			XXXXX		326	7,445,806

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04/07/1976

UNPROCESSED HONEY

60 LB CANS AND 55 GALLON BARRELS

STATE	WHSE #	TABLE GRADE			NON TABLE GRADE			GRADE NOT CERTIFIED			TOTAL	
		LBS	AV STG AGE	%	LBS	AV STG AGE	%	LBS	AV STG AGE	%	AV STG AGE	LBS
	2322	173,289	309	100.00		XXXXX			XXXXX		309	173,289
	2371	656,322	298	100.00		XXXXX			XXXXX		298	656,322
	2391	754,933	300	100.00		XXXXX			XXXXX		300	754,933
IA		9,029,120	321	100.00		XXXXX			XXXXX		321	9,029,120
	1503	1,132,992	343	83.52	223,574	322	16.48		XXXXX		340	1,356,566
	2402	2,448,274	396	99.02	24,219	296	.98		XXXXX		396	2,472,493
	2422	963,391	344	100.00		XXXXX			XXXXX		344	963,391
ID		4,544,657	372	94.83	247,793	320	5.17		XXXXX		369	4,792,420
	2142	474,927	305	94.30	28,700	308	5.70		XXXXX		305	503,627
IL		474,927	305	94.30	28,700	308	5.70		XXXXX		305	503,627
	1499	26,669	304	100.00		XXXXX			XXXXX		304	26,669
	2304	84,078	306	100.00		XXXXX			XXXXX		306	84,078
KS		110,745	306	100.00		XXXXX			XXXXX		306	110,745
	2345	151,454	314	99.18	1,256	311	.82		XXXXX		314	152,710
LA		151,454	314	99.18	1,256	311	.82		XXXXX		314	152,710
	2459	131,065	365	100.00		XXXXX			XXXXX		365	131,065
ME		131,065	365	100.00		XXXXX			XXXXX		365	131,065
	2333	643,513	283	93.99	41,124	293	6.01		XXXXX		283	684,637
	2336	820,407	314	99.93	605	310	.07		XXXXX		314	821,012
	2347	426,994	309	100.00		XXXXX			XXXXX		309	426,994
	2394	845,700	300	100.00		XXXXX			XXXXX		300	845,700
MI		2,737,614	301	98.50	41,729	299	1.50		XXXXX		301	2,779,343
	1475	325,172	310	99.85	503	306	.15		XXXXX		310	325,675
	2341	360,787	319	98.78	4,464	317	1.22		XXXXX		319	365,251
	2348	475,736	311	100.00		XXXXX			XXXXX		311	475,736
	2362	169,431	310	98.00	3,462	318	2.00		XXXXX		310	172,893
	2363	938,986	314	97.61	22,990	317	2.39		XXXXX		314	961,976
	2372	380,930	307	100.00		XXXXX			XXXXX		307	380,930
	2450	287,851	311	100.00		XXXXX			XXXXX		311	287,851
	2466	709,912	303	100.00		XXXXX			XXXXX		303	709,912
MN		3,647,807	311	99.15	31,409	317	.85		XXXXX		311	3,679,216
	2374	208,837	306	99.38	1,294	306	.62		XXXXX		306	210,131
	2403	162,668	308	98.21	2,965	317	1.79		XXXXX		308	165,633
MO		371,505	307	98.87	4,259	314	1.13		XXXXX		307	375,764
	2375	211,179	298	94.89	11,380	292	5.11		XXXXX		298	222,559
	2435	67,733	307	100.00		XXXXX			XXXXX		307	67,733
	2438	46,628	163	55.10	37,998	163	44.90		XXXXX		163	84,626
MS		325,550	251	86.83	49,378	193	13.17		XXXXX		269	374,928
	2359	1,864,522	425	100.00		XXXXX			XXXXX		425	1,864,522

U N P R O C E S S E D   H O N E Y

60 LB CANS AND 55 GALLON BARRELS

STATE	HASH #	TABLE GRADE LBS	TABLE GRADE AV STD ASP	TABLE GRADE %	NON TABLE GRADE LBS	NON TABLE GRADE AV STD ASP	NON TABLE GRADE %	GRADE NOT CERTIFIED LBS	GRADE NOT CERTIFIED AV STD ASP	GRADE NOT CERTIFIED %	TOTAL AV STD ASP	TOTAL LBS
	2341	924,796	448	100.00		XXXXX			XXXXX		448	924,796
MT		2,599,718	432	100.00		XXXXX			XXXXX		432	2,599,718
	2304	193,291	317	97.40	5,447	316	2.60		XXXXX		317	198,738
	2312	416,273	309	100.00		XXXXX			XXXXX		309	416,273
	2320	621,245	308	100.00		XXXXX			XXXXX		308	621,245
	2349	360,301	298	67.81	171,022	281	32.19		XXXXX		294	531,323
	2377	380,446	308	100.00		XXXXX			XXXXX		308	380,446
	2413	1,324,544	310	99.77	3,085	321	.23		XXXXX		310	1,327,629
	2441	398,159	313	100.00		XXXXX			XXXXX		313	398,159
	2479	673,547	309	100.00		XXXXX			XXXXX		309	673,547
	2493	795,231	306	100.00		XXXXX			XXXXX		306	795,231
NY		5,233,415	307	96.70	179,591	292	3.30		XXXXX		306	5,412,070
	2410	69,847	316	57.11	51,859	316	42.40	597	636	.49	317	122,303
NE		69,847	316	57.11	51,859	316	42.40	597	636	.49	317	122,303
	1677	172,772	291	100.00		XXXXX			XXXXX		291	172,772
	2308	400,478	266	100.00		XXXXX			XXXXX		266	400,478
	2313	857,990	315	100.00		XXXXX			XXXXX		315	857,990
	2338	217,962	298	100.00		XXXXX			XXXXX		298	217,962
	2339	6,253	660	100.00		XXXXX			XXXXX		660	6,253
	2354	198,509	290	94.22	12,173	285	5.79		XXXXX		290	210,682
	2360	2,826,349	283	100.00		XXXXX			XXXXX		283	2,826,349
	2383	2,130,172	283	100.00		XXXXX			XXXXX		283	2,130,172
	2432	1,854,264	289	98.34	31,227	275	1.66		XXXXX		289	1,885,491
	2447	394,506	276	100.00		XXXXX			XXXXX		276	394,506
	2455	393,698	263	100.00		XXXXX			XXXXX		263	393,698
	2464	502,199	327	100.00		XXXXX			XXXXX		327	502,199
	2468	2,145,616	272	98.90	23,869	259	1.10		XXXXX		271	2,169,485
	2472	465,603	292	100.00		XXXXX			XXXXX		292	465,603
	2478	315,897	276	100.00		XXXXX			XXXXX		276	315,897
	2483	647,988	282	100.00		XXXXX			XXXXX		282	647,988
ND		13,540,141	295	99.51	67,264	271	.49		XXXXX		295	13,607,405
	2355	33,409	298	100.00		XXXXX			XXXXX		298	33,409
NH		33,409	298	100.00		XXXXX			XXXXX		298	33,409
	2406	33,283	306	50.10	33,153	294	49.90		XXXXX		300	66,436
NJ		33,283	306	50.10	33,153	294	49.90		XXXXX		300	66,436
	2495	690,096	330	71.71	272,283	314	28.29		XXXXX		325	962,379
NM		690,096	330	71.71	272,283	314	28.29		XXXXX		325	962,379
	1683	100,489	299	100.00		XXXXX			XXXXX		299	100,489
	2356	230,729	311	99.18	1,915	310	.82		XXXXX		311	232,644
	2375	464,571	306	99.86	635	310	.14		XXXXX		306	465,207
	2379	572,605	261	97.07	17,271	131	2.93		XXXXX		257	589,876

U N P R O C E S S E D   H O N E Y

60 LB CANS AND 55 GALLON BARRELS

STATE	WHSE #	------- TABLE GRADE -------			---- NON TABLE GRADE -----			--- GRADE NOT CERTIFIED --			----- TOTAL -----	
		LBS	AV STG AGE	%	LBS	AV STG AGE	%	LBS	AV STG AGE	%	AV STG AGE	LBS
	2456	231,669	317	97.65	5,582	326	2.35		XXXXX		317	237,251
NY		1,600,063	291	98.44	25,404	192	1.56		XXXXX		290	1,625,467
	2402	238,291	316	97.43	6,296	315	2.57		XXXXX		316	244,587
OR		238,291	316	97.43	6,296	315	2.57		XXXXX		316	244,587
	1469	82,056	312	95.15	4,179	313	4.85		XXXXX		312	86,235
PA		82,056	312	95.15	4,179	313	4.85		XXXXX		312	86,235
	1491	1,720,793	293	99.69	5,405	279	.31		XXXXX		293	1,726,198
	2301	1,579,660	290	100.00		XXXXX			XXXXX		290	1,579,660
	2303	2,531,353	277	99.03	24,776	232	.97		XXXXX		277	2,556,129
	2324	338,875	292	100.00		XXXXX			XXXXX		292	338,875
	2337	573,329	297	100.00		XXXXX			XXXXX		297	573,329
	2343	20,832	313	100.00		XXXXX			XXXXX		313	20,832
	2433	132,216	289	100.00		XXXXX			XXXXX		289	132,216
	2439	891,697	292	100.00		XXXXX			XXXXX		292	891,697
	2467	405,196	480	100.00		XXXXX			XXXXX		480	405,196
SD		8,451,939	296	99.64	30,181	281	.36		XXXXX		296	8,482,120
	2385	2,398	295	12.20	17,257	296	87.80		XXXXX		296	19,655
TN		2,398	295	12.20	17,257	296	87.80		XXXXX		296	19,655
	153	379,122	318	30.64	858,270	376	69.36		XXXXX		358	1,237,392
	1475	271,109	312	95.90	11,594	203	4.10		XXXXX		308	282,703
	1690	9,785	303	100.00		XXXXX			XXXXX		303	9,785
	2334	70,002	324	100.00		XXXXX			XXXXX		324	70,002
	2356	43,544	531	10.29	379,581	669	89.71		XXXXX		665	423,125
	2535	63,752	319	70.64	26,499	316	29.36		XXXXX		318	90,251
TX		837,415	338	39.63	1,275,933	461	60.37		XXXXX		410	2,113,348
	2476	745,749	305	96.04	30,739	299	3.96		XXXXX		305	776,489
UT		745,749	305	96.04	30,739	299	3.96		XXXXX		305	776,489
	1512	72,293	293	55.43	58,120	320	44.57		XXXXX		305	130,413
VA		72,293	293	55.43	58,120	320	44.57		XXXXX		305	130,413
	1652	639,410	493	94.77	35,297	326	5.23		XXXXX		485	674,707
	2469	1,838,804	445	97.83	40,839	635	2.17		XXXXX		449	1,879,643
	2499	471,543	296	96.75	15,857	270	3.25		XXXXX		295	487,400
WA		2,949,757	436	96.98	91,993	397	3.02		XXXXX		432	3,041,750
	2310	294,297	295	99.80	590	303	.20		XXXXX		295	294,887
	2321	300,811	296	100.00		XXXXX			XXXXX		296	300,811
	2355	604,825	296	100.00		XXXXX			XXXXX		296	604,825
	2368	37,292	311	100.00		XXXXX			XXXXX		311	37,292
	2405	422,233	299	99.70	1,260	299	.30		XXXXX		299	423,493
	2431	151,688	302	100.00		XXXXX			XXXXX		302	151,688

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PAGE:    5                              U N P R O C E S S E D   H O N E Y                                  04/07/1975

                                             60 LB CANS AND 55 GALLON BARRELS

          STATE   WHSE #  -------- TABLE GRADE -------- ---- NON TABLE GRADE -----  --- GRADE NOT CERTIFIED --  ----- TOTAL -----
                             LBS    AV STG AGE    %         LBS    AV STG AGE   %        LBS    AV STG AGE   %  AV STG AGE    LBS

            WI                1,931,171    297   99.90       1,823     302    .10               XXXXX            297   1,932,999

                   2434         493,256    320  100.00                XXXXX                     XXXXX            320     493,256
            WY                  493,256    320  100.00                XXXXX                     XXXXX            320     493,256

NATIONAL TOTALS              33,293,404    313   94.14   4,977,155    352    5.84     21,351     486     .02     316  35,292,421
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NON-FORTIFIED NON-FAT DRY MILK

06/07/1994

STATE	WHSE #	EXTRA GRADE LBS	EXTRA GRADE AVG AGE	EXTRA GRADE %	STANDARD GRADE LBS	STANDARD GRADE AVG AGE	STANDARD GRADE %	NO GRADE LBS	NO GRADE AVG AGE	NO GRADE %	TOTAL AVG AGE	TOTAL LBS
	127	9,955,745	398	100.00		XXXXX			XXXXX		398	9,955,745
	1139	6,569,223	630	95.24	327,040	1,517	4.76		XXXXX		672	6,896,263
	1331	9,248,773	728	73.87	3,271,100	1,466	26.13		XXXXX		921	12,519,873
	1450	938,002	290	100.00		XXXXX			XXXXX		290	938,002
CA		25,692,728	572	87.71	3,598,140	1,477	12.29		XXXXX		583	29,290,859
	1729	9,332,319	883	44.83	11,485,948	955	55.17		XXXXX		923	20,818,267
CT		9,332,319	883	44.83	11,485,948	955	55.17		XXXXX		923	20,818,267
	704	1,121,720	851	45.90	1,322,300	1,409	54.10		XXXXX		1,167	2,444,020
	1417	89,050	1,422	16.88	438,605	1,444	83.12		XXXXX		1,440	527,655
	1421	842,750	1,374	38.26	1,359,694	1,416	61.74		XXXXX		1,402	2,202,444
	1504	639,240	69	100.00		XXXXX			XXXXX		69	639,240
	1550	2,594,211	259	79.62	663,984	1,437	20.38		XXXXX		699	3,258,195
	1563		XXXXX		493,550	1,044	100.00		XXXXX		1,044	493,550
	1565	4,521,195	553	57.15	3,389,597	1,436	42.85		XXXXX		930	7,910,792
	1576		XXXXX		247,100	1,114	100.00		XXXXX		1,114	247,100
	1734	136,000	724	25.96	387,900	1,352	74.04		XXXXX		1,035	523,900
IA		9,743,846	575	53.99	8,302,730	1,375	46.01		XXXXX		965	19,046,576
	346	7,784,305	994	96.29	299,900	1,270	3.71		XXXXX		1,003	8,084,205
	1255	2,099,650	1,071	100.00		XXXXX			XXXXX		1,071	2,099,650
	1432	2,049,392	977	100.00		XXXXX			XXXXX		977	2,049,392
	1815	15,918,125	389	100.00		XXXXX			XXXXX		389	15,918,125
ID		27,751,472	654	98.93	299,900	1,270	1.07		XXXXX		661	28,051,372
	723	7,309,604	1,423	92.89	559,830	1,257	7.11		XXXXX		1,411	7,869,434
IL		7,309,604	1,423	92.89	559,830	1,257	7.11		XXXXX		1,411	7,869,434
	1105	4,726,996	597	94.27	287,175	1,093	5.73		XXXXX		625	5,014,171
	1160	2,663,314	1,302	96.38	100,000	1,177	3.62		XXXXX		1,298	2,763,314
IN		7,390,310	851	95.02	387,175	1,115	4.98		XXXXX		864	7,777,485
	215	10,209,941	225	100.00		XXXXX			XXXXX		225	10,209,941
	625	8,241,129	979	97.91	175,880	1,416	2.09		XXXXX		990	8,417,009
	1527	598,230	1,543	35.07	1,107,510	1,429	64.93		XXXXX		1,469	1,705,740
	1555	13,044	446	100.00		XXXXX			XXXXX		446	13,044
KS		19,062,343	549	93.69	1,283,490	1,427	6.31		XXXXX		604	20,345,733
	1190	18,920	1,756	100.00		XXXXX			XXXXX		1,756	18,920
	1598	1,471,933	253	85.35	252,656	1,342	14.65		XXXXX		413	1,724,589
	1594	1,420,770	190	100.00		XXXXX			XXXXX		190	1,420,770
	1399	550,630	112	100.00		XXXXX			XXXXX		112	550,630
KY		3,462,253	213	93.20	252,656	1,342	6.80		XXXXX		290	3,714,909
	1577	608,605	318	100.00		XXXXX			XXXXX		318	608,605
LA		608,605	318	100.00		XXXXX			XXXXX		318	608,605
	237	1,248,320	1,324	34.75	2,343,922	1,319	65.25		XXXXX		1,321	3,592,242
MA		1,248,320	1,324	34.75	2,343,922	1,319	65.25		XXXXX		1,321	3,592,242
	1791	6,295,865	734	93.28	570,125	862	11.72		XXXXX		749	6,865,990

NON-FORTIFIED NON-FAT DRY MILK 04/07/1986

STATE	WHSE #	------- EXTRA GRADE	-----------	-----	***** STANDARD GRADE		****	-------- NO GRADE		--------	***** TOTAL	*****
		LBS	AVG AGE	%	LBS	AVG AGE	%	LBS	AVG AGE	%	AVG AGE	LBS
	1335	1,674,759	341	100.00		XXXXX			XXXXX		341	1,674,759
MD		5,057,624	614	91.28	483,125	962	8.72		XXXXX		644	5,540,749
	597	1,950,522	917	38.42	3,126,900	1,363	61.58		XXXXX		1,192	5,077,422
	1132		XXXXX		71,900	1,976	100.00		XXXXX		1,976	71,900
	1246	76,145	1,044	29.31	183,662	1,546	70.69		XXXXX		1,426	259,807
	1314	870,955	1,455	46.11	1,017,827	1,633	53.89		XXXXX		1,551	1,888,782
	1532	1,821,173	1,423	46.25	2,116,925	1,423	53.75		XXXXX		1,423	3,938,100
	1559	179,250	934	73.40	64,950	965	26.60		XXXXX		942	244,200
	1543	347,430	1,066	100.00		XXXXX			XXXXX		1,066	347,430
	1594	42,687,328	391	99.04	415,681	1,188	.96		XXXXX		399	43,103,009
	1715	244,830	855	100.00		XXXXX			XXXXX		855	244,830
	1330	6,446,491	267	100.00		XXXXX			XXXXX		267	6,446,491
MI		54,624,126	455	88.64	6,997,835	1,419	11.36		XXXXX		565	61,621,961
	257	840,608	1,149	50.20	833,821	1,522	49.80		XXXXX		1,335	1,674,429
	273	1,479,258	1,565	31.59	3,203,179	1,457	68.41		XXXXX		1,492	4,682,437
	274	570,613	243	87.72	79,900	1,361	12.28		XXXXX		390	650,513
	706	194,145	91	100.00		XXXXX			XXXXX		91	194,145
	951	5,439,932	462	79.70	1,385,915	831	20.30		XXXXX		537	6,825,847
	1294	7,061,612	320	91.63	645,184	912	8.37		XXXXX		369	7,706,796
	1441	220,650	665	100.00		XXXXX			XXXXX		665	220,650
	1469	446,972	774	38.77	705,910	1,142	61.23		XXXXX		1,000	1,152,882
	1565	560,320	1,322	9.73	5,199,173	1,430	90.27		XXXXX		1,425	5,759,493
	1606	1,368,520	1,298	77.60	394,980	1,400	22.40		XXXXX		1,321	1,763,500
	1659	99,900	1,299	10.67	836,434	1,166	89.33		XXXXX		1,180	936,334
	1674		XXXXX		1,471,850	1,197	100.00		XXXXX		1,197	1,471,850
	1709		XXXXX		239,276	1,049	100.00		XXXXX		1,049	239,276
MN		18,282,530	622	54.94	14,995,622	1,305	45.06		XXXXX		930	33,278,202
	473	3,848,963	556	100.00		XXXXX			XXXXX		556	3,848,963
	553	4,658,341	441	81.93	1,027,283	1,357	18.07		XXXXX		607	5,685,624
	544	91,800	973	100.00		XXXXX			XXXXX		973	91,800
	783	4,669,199	1,335	64.39	2,581,910	1,362	35.61		XXXXX		1,345	7,251,109
	832	83,350	873	100.00		XXXXX			XXXXX		873	83,350
	834	14,415,572	498	99.09	131,690	1,692	.91		XXXXX		499	14,547,262
	918	783,699	949	100.00		XXXXX			XXXXX		949	783,699
	919	510,150	771	58.94	355,400	1,263	41.06		XXXXX		973	865,550
	1172	1,992,341	1,071	95.89	85,500	1,057	4.11		XXXXX		1,070	2,077,841
	1805	8,063,573	259	98.83	95,850	356	1.17		XXXXX		261	8,159,423
	1839	4,815,578	384	100.00		XXXXX			XXXXX		384	4,815,578
MO		43,932,566	565	91.13	4,277,633	1,334	8.87		XXXXX		634	48,210,199
	745	6,460,099	379	100.00		XXXXX			XXXXX		379	6,460,099
	1199	39,074,863	396	84.48	7,180,459	985	15.52		XXXXX		487	46,255,322
	1256	3,204,975	395	70.95	1,312,220	1,040	29.05		XXXXX		583	4,517,195
	1343	7,299,540	492	56.23	5,682,927	1,114	43.77		XXXXX		719	12,982,467
	1406	1,399,618	296	100.00		XXXXX			XXXXX		296	1,399,618
	1562	10,599,432	871	92.73	831,419	1,417	7.27		XXXXX		911	11,430,851
	1593	20,536,795	302	96.39	770,150	1,432	3.61		XXXXX		343	21,306,945

NON-FORTIFIED NON-FAT DRY MILK 04/07/1986

STATE	PLANT #	------ EXTRA GRADE		----------	**** STANDARD GRADE		****	------- NO GRADE		-------	***** TOTAL	*****
		LBS	AVG AGE	%	LBS	AVG AGE	%	LBS	AVG AGE	%	AVG AGE	LBS
	1502	11,630,125	437	87.43	1,672,348	1,129	12.57		XXXXX		545	13,302,473
	1764	2,603,171	353	100.00		XXXXX			XXXXX		353	2,603,171
	1391	1,129,470	92	100.00		XXXXX			XXXXX		92	1,129,470
MN		103,848,138	431	85.81	17,179,393	1,085	14.19		XXXXX		524	121,027,531
	773	54,972	1,037	13.67	347,065	1,474	86.33		XXXXX		1,382	402,037
	750	1,036,175	748	31.15	2,354,430	1,445	69.33		XXXXX		1,256	3,390,605
	1613	2,126,280	464	66.45	1,073,311	1,329	33.55		XXXXX		734	3,199,591
ND		3,217,427	441	46.30	3,774,805	1,435	53.70		XXXXX		979	6,992,232
	1746	75,000	843	31.93	159,900	843	68.07		XXXXX		843	234,900
NJ		75,000	843	31.93	159,900	843	68.07		XXXXX		843	234,900
	1641	10,064,410	1,208	100.00		XXXXX			XXXXX		1,208	10,064,410
	1673	13,371,403	1,144	100.00		XXXXX			XXXXX		1,144	13,371,403
	1759	12,270,806	924	100.00		XXXXX			XXXXX		924	12,270,806
	1821	10,527,958	737	100.00		XXXXX			XXXXX		737	10,527,958
NM		46,234,582	1,007	100.00		XXXXX			XXXXX		1,007	46,234,582
	351	2,156,376	1,134	100.00		XXXXX			XXXXX		1,134	2,156,376
	1147	592,433	1,131	63.60	339,080	1,763	36.40		XXXXX		1,361	931,513
	1149	2,444,271	1,062	100.00		XXXXX			XXXXX		1,062	2,444,271
	1207	261,660	112	72.38	99,840	1,343	27.62		XXXXX		591	361,500
	1248	2,337,535	508	100.00		XXXXX			XXXXX		508	2,337,535
	1267	1,415,633	1,014	100.00		XXXXX			XXXXX		1,014	1,415,633
	1276	1,274,873	1,234	71.21	515,722	1,127	28.79		XXXXX		1,209	1,790,595
	1275	1,817,336	1,083	68.41	839,810	1,210	31.59		XXXXX		1,123	2,657,146
	1740	24,426,456	602	95.48	1,157,455	865	4.52		XXXXX		614	25,583,911
	1342	80,000	81	100.00		XXXXX			XXXXX		81	80,000
	1356	388,400	185	100.00		XXXXX			XXXXX		185	388,400
	1121	249,125	71	100.00		XXXXX			XXXXX		71	249,125
NY		37,466,825	715	92.70	2,949,405	1,146	7.30		XXXXX		746	40,416,230
	1533	364,880	947	12.76	2,494,192	1,091	87.24		XXXXX		1,064	2,859,072
	1543	74,850	1,145	100.00		XXXXX			XXXXX		1,145	74,850
	1594	588,000	1,161	26.20	1,656,355	1,283	73.80		XXXXX		1,249	2,244,355
	1602	3,447,220	1,092	66.14	1,764,563	1,131	33.86		XXXXX		1,106	5,211,783
	1717	120,699	995	100.00		XXXXX			XXXXX		995	120,699
OH		4,595,649	1,091	43.72	5,915,110	1,152	56.28		XXXXX		1,124	10,510,759
	949	8,921,529	768	99.15	76,000	1,422	.85		XXXXX		774	8,997,529
	1103	2,403,639	355	100.00		XXXXX			XXXXX		355	2,403,639
	1207	5,668,134	778	97.89	144,000	1,329	2.11		XXXXX		790	5,812,134
	1523	20,780,250	1,401	100.00		XXXXX			XXXXX		1,401	20,780,250
	1779	6,380,330	849	100.00		XXXXX			XXXXX		849	6,380,330
OR		65,143,962	1,050	99.52	220,000	1,361	.48		XXXXX		1,052	65,363,962
	720		XXXXX		917,532	1,290	100.00		XXXXX		1,290	917,532
	1309	3,862,540	579	77.32	1,132,912	903	22.68		XXXXX		673	4,995,452
	1554	921,207	587	84.15	173,365	811	15.84		XXXXX		523	1,094,572

NON-FORTIFIED NON-FAT DRY MILK

04/07/1986

STATE	WHSE #	------ EXTRA GRADE		------------****	STANDARD GRADE		****	-------	NO GRADE	-------	***** TOTAL	*****
		LBS	AVG AGE	%	LBS	AVG AGE	%	LBS	AVG AGE	%	AVG AGE	LBS
	1313		XXXXX		139,865	312	100.00		XXXXX		312	139,865
	1392	5,159,651	871	82.06	1,127,524	1,233	17.93		XXXXX		936	6,287,175
	1742	394,550	952	53.75	339,501	1,008	46.25		XXXXX		978	734,051
PA		11,028,888	689	73.92	3,890,759	1,119	26.08		XXXXX		801	14,919,647
	1595	1,144,656	1,055	88.41	150,000	1,299	11.59		XXXXX		1,083	1,294,656
SD		1,144,656	1,055	88.41	150,000	1,299	11.59		XXXXX		1,083	1,294,656
	1319		XXXXX		275,878	1,414	100.00		XXXXX		1,414	275,878
	1419	655,259	991	100.00		XXXXX			XXXXX		991	655,259
	1582	398,800	188	100.00		XXXXX			XXXXX		188	398,800
	1672	269,598	1,004	100.00		XXXXX			XXXXX		1,004	269,598
	1593	2,344,807	170	100.00		XXXXX			XXXXX		170	2,344,807
	1801	952,250	259	100.00		XXXXX			XXXXX		259	952,250
	1832	31,735,701	563	100.00		XXXXX			XXXXX		563	31,735,701
TX		36,356,215	537	99.25	275,878	1,414	.75		XXXXX		543	36,632,093
	1436	7,881,041	1,333	90.64	814,168	1,442	9.36		XXXXX		1,343	8,695,209
	1701	981,600	93	100.00		XXXXX			XXXXX		93	981,600
UT		8,862,641	1,196	91.59	814,168	1,442	8.41		XXXXX		1,216	9,676,809
	1504	80,000	1,422	9.83	734,125	1,534	90.17		XXXXX		1,523	814,125
VA		80,000	1,422	9.83	734,125	1,534	90.17		XXXXX		1,523	814,125
	1324	2,863,616	1,318	84.77	514,548	1,249	15.23		XXXXX		1,309	3,378,164
	1345	563,380	1,311	85.44	96,000	1,299	14.55		XXXXX		1,310	659,380
	1777	1,427,822	1,427	100.00		XXXXX			XXXXX		1,427	1,427,822
WA		4,854,818	1,349	88.83	610,548	1,257	11.17		XXXXX		1,339	5,465,366
	451	94,017	392	30.58	213,470	1,544	69.42		XXXXX		1,192	307,487
	525	3,036,919	299	100.00		XXXXX			XXXXX		299	3,036,919
	561	3,622,592	730	88.00	493,865	1,488	12.00		XXXXX		821	4,116,457
	323	10,000	965	100.00		XXXXX			XXXXX		965	10,000
	358	3,289,908	310	98.88	37,419	1,422	1.12		XXXXX		323	3,327,327
	366	4,405,740	505	91.58	405,107	1,495	8.42		XXXXX		589	4,810,847
	1214	187,436	326	13.88	1,163,456	1,424	86.12		XXXXX		1,272	1,350,892
	1404	6,015,788	305	100.00		XXXXX			XXXXX		305	6,015,788
	1535	639,126	1,356	15.47	3,491,780	1,465	84.53		XXXXX		1,449	4,130,906
	1549	6,867,031	386	99.42	40,371	1,391	.58		XXXXX		392	6,907,402
	1615	5,025,080	374	100.00		XXXXX			XXXXX		374	5,025,080
	1630	1,305,895	519	78.19	364,215	1,323	21.81		XXXXX		694	1,670,110
	1556	391,443	753	100.00		XXXXX			XXXXX		753	391,443
	1702	1,320,524	365	100.00		XXXXX			XXXXX		365	1,320,524
	1706	851,447	476	100.00		XXXXX			XXXXX		476	851,447
	1716	286,800	1,057	100.00		XXXXX			XXXXX		1,057	286,800
	1722	5,826,259	311	97.88	125,920	1,025	2.12		XXXXX		326	5,952,179
	1723	896,175	606	100.00		XXXXX			XXXXX		606	896,175
	1885	674,300	125	100.00		XXXXX			XXXXX		125	674,300
	1895	6,732,065	87	100.00		XXXXX			XXXXX		87	6,732,065
WI		51,479,096	375	89.04	6,335,552	1,447	10.95		XXXXX		493	57,814,648
NATIONAL TOTALS		588,868,381	542	85.69	98,335,661	1,241	14.31		XXXXX		728	687,204,042

Mr. Conte. What is your best estimate of the costs that would be incurred by the Department under a requirement to sell all surplus commodities by the end of FY 1987? Could this be accomplished? If not, why not?

Secretary Lyng. First, we doubt that the market could absorb all CCC-owned surplus commodities within the next 17 months in addition to the large quantities of stocks being held by farmers and commercial concerns. While CCC commodity stocks are sizable, they are small in comparison to total production each year. As far as the costs CCC might incur if required to sell all of its stock by the end of FY 1987, it is virtually impossible to make any estimates without first knowing the prices that CCC might realize from such sales. These are difficult to ascertain because the dumping of all CCC-owned commodities at whatever prices they might bring would likely depress market prices far below those now existing. The almost certain result would be a "recycling" of even larger quantities of surplus commodities into CCC's inventory. It is important to note that current restrictions placed by law on domestic unrestricted use sales of agricultural commodities owned by CCC are designed to minimize the impact of such sales on domestic markets and CCC's price support operations. For example, section 407 of the Agricultural Act of 1949, as amended, prescribes minimum selling prices for CCC-owned commodities sold for unrestricted use. In a further effort to prevent the "recycling" of commodities under CCC's price support operations, CCC often establishes minimum selling prices above those prescribed by statute.

Mr. Conte. Please provide the Committee with a chart comparing Administration estimates on the need for CCC reimbursements, and the appropriations provided, for the past ten fiscal years by appropriations bill.

Secretary Lyng. I will furnish a table indicating the Administration's estimates and the amounts subsequently appropriated for fiscal years 1977 to date. The Administration's estimates reflect amounts included in original Budget estimates for each year, plus any supplementals requested in that year. It should be noted that FY 1983, FY 1986, and FY 1987 estimates reflect the Administration's estimates of CCC reimbursement needs under permanent indefinite authority, rather than specific appropriation requests. In FY 1981 and prior years, CCC outlays were at relatively low levels, allowing a more traditional process of reimbursing the Corporation.

[The information follows:]

COMMODITY CREDIT CORPORATION—ADMINISTRATION ESTIMATES AND APPROPRIATIONS RECEIVED, FY 1977 TO DATE

[In millions of dollars]

	Administration estimates	Appropriations reeived
Fiscal year:		
1977	$898.7	$899.1
1978	524.3	524.3
1979	[1] 990.9	[1] 990.9
1980	3,056.2	3,056.2
1981	3,299.9	3,299.9
1982	[2] 7,295.9	[2] 7,043.2

COMMODITY CREDIT CORPORATION—ADMINISTRATION ESTIMATES AND APPROPRIATIONS RECEIVED, FY 1977 TO DATE—Continued

[In millions of dollars]

	Administration estimates	Appropriations received
1983	[3] 16,173.6	16,173.6
1984	10,173.6	9,673.6
1985	12,634.1	12,285.8
1986	[3] 24,932.9	[4] 19,632.9
1987	[3] 16,808.8	

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[1] Excludes an enacted increase in CCC borrowing authority of $5.5 billion.

[2] Excludes an enacted increase in CCC borrowing authority of $5 billion.

[3] Proposed to be reimbursed through permanent, indefinite appropriation from Treasury, rather than congressional action. The FY 1986 Administration estimated includes the net increase in additional estimated remboursements needed for the remainder of FY 1986, as noted in the April 28, 1986 letter to the House and Senate Agriculture Appropriations Subcommittees from the Under Secretary for International Affairs and Commodity Programs.

[4] Appropriations through May 1, 1986.

Mr. CONTE. Please provide the most specific breakdown of need possible, by program, for additional FY 86 reimbursements.

Secretary LYNG. An additional $5.3 billion in CCC reimbursement will be needed for the remainder of fiscal year 1986. This increased funding requirement is due mainly to the incorporation of recently announced program provisions which were different than the assumptions used in the FY 1987 President's Budget, and lower anticipated commodity loan repayments. The $5.3 billion would allow CCC to meet its increased spending requirements. I will furnish a functional breakdown of CCC's additional reimbursement needs.

[The information follows:]

Additional CCC Funding Requirements for the Remainder of FY 1986, By Functional Category

	Billions
Net Loan Activity—1985 crops	$2.1
Deficiency Payments	0.7
Dairy Termination Program	0.6
Commercial and Producer Storage	0.3
Interest Payments to Treasury	0.1
CCC Operating Margin	1.5
Total CCC Requirements	5.3

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

Mr. CONTE. Mr. Secretary, USDA has had $1.3 billion in spending authority, $1.1 billion in loan authority and $500 million in loan guarantee authority sequestered as of March 1st. Is that correct?

Secretary LYNG. Yes, that is correct.

Mr. CONTE. Please provide the Committee with a list of any and all transfers or reprogrammings which you have made since March 1st.

Secretary LYNG. I would be happy to supply that information for the record.

[The information follows:]

REPROGRAMMINGS/TRANSFERS

Agency	Amount	Purpose
Forest Service	–$4,435,900	For Gypsy Moth eradication.
Animal and Plant Health Inspection Service	+4,435,900	
Agricultural Research Service	–11,120,000	For Citrus Canker.
Animal and Plant Health Inspection Service	+11,120,000	
Farmers Home Administration:		
Agricultural Credit Insurance Fund:		
Emergency Loans	–700,000,000	To increase the availability of farm operating loans.
Direct Operating Loans	+700,000,000	
Guaranteed Operating Loans	+50,000,000	
Rural Development Insurance Fund: Business and Industrial Guaranteed Loans.	–50,000,000	

Mr. CONTE. I understand that the Food Safety and Inspection Service has proposed a three-day furlough of all personnel to meet your reduction target. Is that correct?

Secretary LYNG. Yes, that is correct.

Mr. CONTE. As you know, H.R. 4515 contains a supplemental for the FSIS. Would you please state your official position on this provision, and indicate whether the funds contained within the bill would prevent the need for a furlough?

Secretary LYNG. It is my understanding that the $3.7 million supplemental contained in H.R. 4515, along with the language, would allow the agency to lift the hiring freeze, accommodate the industry expansion and prevent the need for a furlough. It should be noted that this represents an increase over the Gramm-Rudman-Hollings spending limitation which should be offset by an equivalent reduction in other Federal programs in order to achieve the deficit reduction target.

Mr. CONTE. Has the Department proposed any other furloughs to meet the Gramm-Rudman targets? Do you foresee the need for any reductions-in-force? If so, please explain.

Secretary LYNG. Any other furloughs or reductions-in-force would be under consideration as a way to meet the need to reduce cuts. No decisions have been made at this time.

FOOD STAMPS

Mr. CONTE. Do you foresee a need for a food stamp supplemental this year? If so, for what amount? Has a request been submitted yet to OMB for that amount? When was or will it be submitted? If not, please explain.

Secretary LYNG. No, at the present time there appears to be sufficient funding to operate the Food Stamp Program during FY 1986. We are and will continue to closely monitor the program and will consider appropriate action if the current situation changes.

FISCAL YEAR 1986 SUPPLEMENTALS

Mr. CONTE. Please provide for the record your policy and budget analysis of the agricultural provisions currently contained with H.R. 4515.

Secretary LYNG. I will provide that information for the record.

[The information follows:]

Chapter I of H.R. 4515

Title I includes $25 million for the SCS Emergency Watershed Operations and $10 million for the ASCS Emergency Conservation Program. These are preliminary estimates based on assessments by field staff of the amounts needed to handle the flood damages in the western states.

While in the past flood damage restoration has been financed through reprogramming or with additional appropriations, we believe that under current fiscal constraints, and to the extent that additional flood damage should occur, the Federal responsibility for restoration financing should be financed through other Federal agencies, primarily the Federal Emergency Management Agency.

State and local governments also have an important responsibility for restoration and protection measures. Because of the availability of other funding alternatives, the proposed supplemental of $35 million is not necessary at this time.

Title II would also provide $3.7 million to enable FSIS to accommodate requests for additional meat inspection services from plants where production is increasing. An additional 209 permanent full-time employees could be added to the rolls by the end of 1986 and sustained on an annualized basis with the $365.8 million sought in the 1987 budget under current legislation.

The additional $3.7 million, along with the accompanying language, would allow the agency to lift the hiring freeze and accommodate the industry expansion. The three day furlough and other program constraints would remain in effect. If the proposed language were modified, these funds could be used to avoid three days of employee furlough and plant shutdown. It should be noted that this represents an increase over the Gramm-Rudman-Hollings spending limitation which should be offset by an equivalent reduction in other Federal programs in order to achieve the deficit reduction target.

Title II requires a report on contaminated milk and milk products in Arkansas, Missouri and Oklahoma. The Secretary has dispatched an investigation team to the States in which heptachlor contamination was detected in milk or milk products. Based on the findings of this team, the Department submitted an urgent request to Congress to appropriate $7 million dollars to pay claims under the Dairy Indemnity Program reauthorized by the 1985 Food Security Act.

Title II also appropriates $72 million for ASCS salaries and expenses. The Administration requested this appropriation in the President's Budget in order to administer the 1985 Food Security Act. Without the funds, ASCS will not be able to fulfill its mission. The Administration continues to support this appropriation.

Title IV, Section 1 of H.R. 4515 contains a provision which instructs the Secretary to return as soon as possible to a farm program available under the CCC Charter Act and other law, as was spelled out in Section 105 of H.J. Res. 465, which failed to pass Congress.

A program such as the one proposed in Sec. 105 of H.R. Res. 465 would provide nonrecourse loans for basic agricultural commodities at such levels as would provide a "fair" return above the cost of production. While difficult to estimate with precision, such loan levels would clearly be far in excess of those announced for the 1986 programs. The following table illustrates a possible comparison.

	Loan Rates	
	Announced for 1986	Sec. 105 (Estimate)
Wheat ($/bu.)	2.40	4.80
Corn ($/bu.)	1.92	2.90
Cotton (¢/lb.)	55	.90
Peanuts ($/ton)	607 quota/150 additional	425.00
Rice ($/cwt.)	7.20	9.00

For that portion of the production consumed domestically, purchasers are to sustain the market at these higher levels. For the portion destined for export, CCC would have to export its inventories at world prices, far below those being paid by domestic consumers.

The proposal would cause large distortion in the domestic market. Feed costs for livestock producers would be at least 50 percent higher than under the 1985 Act. Consumer expenditures for meat, poultry, and cereal products would be many billions of dollars higher.

Setting the loan rates at such high levels would result in outlays many billions of dollars higher than under the recently enacted Food Security Act of 1985 unless severe limits were placed on production. Moreover, because of the high domestic price support levels, CCC sales at world market prices could cost as much as $10 billion in CCC losses to sell American farm products overseas. To conduct the program so as to use no appropriated funds for the portion of the production consumed domestically, as required by Section 105, USDA would need to implement massive acreage reduction programs, idling millions of acres more than the 47 million projected to be reduced under the 1985 Act for the 1986 crops. To fulfill Section 105, government-financed stocks would have to be reduced to near zero through a costly combination of production cutbacks and export subsidies. Thus, the program under Section 105 would actually be harmful to main street businesses in our rural towns already under stress.

One of the apparent reasons for Section 105 when it was first considered by the House last December was that badly needed farm legislation had not yet been enacted. Congress has completed an intensive deliberation of more than one year's length and has passed a farm bill. Use of this supplemental appropriation bill to push for major changes in U.S. farm policy after only three months is inappropriate. It amounts to a total rewrite of the recently enacted Farm Bill and reverses the market-oriented features of that Act.

Title IV, Section 2 of H.R. 4515 modifies the provisions of the Food Security Act of 1985 relating to the Conservation Reserve Programs placing greater emphasis on production adjustment on price supported crop acres.

This section would become effective immediately upon enactment of H.R. 4380, yet sign-up for the first phase of the Conservation Reserve Program is just now ended. Sign-up was conducted -- and farmers' bids submitted -- under a completely different set of program rules from those proposed in this bill which emphasize erosion control and do not limit sign-up to price-supported crop acres.

Specific problems with the provision include the following:

- H.R. 4515 limits eligible land to 50 percent of the land owned or operated by an individual. This limitation would raise rental bid rates on farms whose operators could have expected to enroll the entire farm under current rules. Total soil savings would be reduced nationwide. We believe that the provision in the 1985 Act which prevents Conservation Reserve sign-up in excess of 25 percent of the cropland in the county adequately addresses the concern to which the 50 percent limitation is directed.
- Under the regulations, determination of eligibility for the acreage conservation reserve is based mostly on erosion-related factors. This proposal to allow into the reserve only lands that have been cropped in 1984 and 1985 completely redefines the scope of the program and could result in less soil savings than the criteria used in the 1985 Act.
- H.R. 4515 limits payments to $25,000 per farmer, half the limit in the 1985 Act. The scope of the program is, therefore, more constrained as regards its ability to save soil.
- Payments per acre under H.R. 4515 can be no more than one-third of the value of production from the land being idled. In areas where there has been adverse weather, payments would be much reduced or even limited to zero where there was total crop failure in 1985.
- The proposed language virtually limiting eligibility to lands on which price-supported crops are produced is not necessary since the Administration intends to operate the program in such a manner as to maximize the acreage removed from the price-supported crops within the overall objective of reducing erosion.

Title IV, Section 3 restricts Federal Crop Insurance Corporation (FCIC) borrowing from CCC after 1986 to levels approved through prior appropriation actions. As with any insurance operation there is always a risk of loss. In such circumstances, the FCIC must have ready access to capital to pay valid claims under insurance contracts. To meet this need, the Administration is proposing legislation that would allow FCIC to borrow directly from the Treasury the funds needed to pay indemnities. Because of the difficulty of estimating weather-caused crop disaster losses in advance, the proposed legislation would delay the payment of indemnities to which farmers are entitled under the terms of their insurance contracts.

Title IV, Section 4 would provide up to $14 million, to be transferred from CCC, for the purpose of paying currently outstanding citrus canker claims in Florida and to cover current and continuing operating expenses for the eradication and control program. These claims represent the Federal share of indemnity costs under our agreement with Florida and as of March 14 amounted to $10.8 million. In addition, we will have incurred about $4.5 million in operating expenses by March 31.

The Department is obligated to pay the outstanding indemnity claims for plants destroyed as a result of the citrus canker outbreak. To meet this obligation, we recently informed the Congress of our decision to transfer $11.1 million using the Secretary's emergency authority from the Agricultural Research Service (ARS) appropriation for buildings and facilities to the Animal and Plant Health Inspection Service (APHIS). The $4.5 million in operating costs will be absorbed by APHIS. This action avoids additional Federal spending for this purpose.

We believe that these actions will suffice to meet the funding needs for citrus canker while avoiding increases to the Gramm-Rudman spending ceilings which would have to be offset by equivalent reductions in other Federal programs.

Section 4 also requires the Secretary to transfer $5 million from CCC to the Cooperative State Research Service (CSRS) to develop an international trade center at Oklahoma State University. This amount would be an additional outlay by CCC. It is not clear that such a transfer would be authorized under the CCC Charter Act. CCC has in place many other programs to enhance exports, so the need for this trade center is very questionable.

Title IV, Section 5 deals with avian influenza. The Department's involvement in the avian influenza program has been limited to providing personnel and laboratory assistance to the States upon request. The Animal and Plant Health Inspection Service (APHIS) plans to spend about $300 thousand. These costs will be absorbed by APHIS through either a reprogramming or partial use of its contingency reserve fund.

The supplemental would provide up to $10 million to be transferred from CCC for the control and eradication of avian influenza. This would constitute an increase over the Gramm-Rudman spending ceiling that would have to be offset by an equivalent cut in spending for other Federal programs.

While the Department is very concerned about the avian influenza outbreak, we are optimistic that a major epidemic has been avoided. The strain of this disease is not as virulent as in 1984 and the current outbreak seems to have been identified in its early stages. Each State has taken prompt and appropriate action and cooperation in controlling disease spread and eliminating infected flocks has been excellent.

The Department has completed a study to determine how the current outbreak began and has developed contingency plans for various levels of Federal involvement should the need arise. In view of the responsible actions taken by the States, we do not believe that an increase in the present level of Federal involvement is needed at this time.

Title V of H.R. 4515 would redefine rules for FmHA loan eligibility and deferral of principal and interest on farm debt due to embargoes.

	1986	1987	1988	1989	1990
Budget Impact:			($ billions)		
Total outlays	5.1	5.9	6.6	7.0	7.9
Basis for Computation:					
Deferred interest, on-budget	1.5	1.6	1.7	1.9	1.9
Deferred principal, off-budget	3.1	3.3	3.4	3.1	3.6
Subtotal	4.6	4.9	5.1	5.0	5.5
Accumulated balance deferred	4.6	9.5	14.6	19.6	25.1
Interest on balance, on-budget	.5	1.0	1.5	2.0	2.5

These estimates assume that the amount of loans made remains the same as currently planned, but that all scheduled repayments of principal and interest are deferred through 1990.

The budget impact includes the amount of principal and interest deferred and the interest cost to FmHA of borrowing funds to carry these deferrals. The interest cost would continue until the deferrals could be collected, which would probably be only after the collection of all other scheduled repayments on the loans. Outlays for the loss of principal repayments would also be reflected in the budget of the Federal Financing Bank (FFB) and represent reduced repurchases by FmHA of its Certificates of Beneficial Ownership (CBO's).

Administrative resources, staff years and expenses, are in addition to these estimated outlays. The case-by-case review deadline by the first of April is not possible. A five hour review with each of the 270,000 borrowers would require an additional 675 staff years, and a cost of over $30 million.

Existing legislation and regulations already provide for a case-by-case review of applications for loans and requests for servicing actions including rescheduling, interest subsidies and deferrals. Eligibility extends to all family farmers who are unable to obtain credit elsewhere and who can demonstrate potential repayment capabity.

H.R. 4515 would not extend the eligibility for loans, but it would require an additional review based on ambiguous criteria. Most importantly, it would probably result in most existing FmHA borrowers thinking they were eligible for a deferral. In which case, repayments of principal and interest would be severely curtailed. Development of objective criteria for deciding who should receive deferrals would be difficult, if not impossible, because of the ambiguity of the bill language. At a minimum, this section could require the FmHA to forego collection of principal and interest payments on agricultural loans which would cause an increase in FY 86 outlays of about $5 billion.

Mr. CONTE. Please summarize each of the FY 86 supplemental requests which have been submitted to the Congress but have not yet been acted upon. Please specify the urgency of need, if appropriate.

Secretary LYNG. There are four supplementals that have not been acted upon. There is a FmHA supplemental to reduce loan levels for rural housing by $700 million. There are also two ASCS supplementals. One is for salaries and expenses for $71,598,000 that provides transfer authority to cover increased administrative costs related to the implementation of the Food Security Act of 1985. If these funds are not provided, the agency will be unable to fund county office operations. The other one is for the dairy indemnity program for $6 million to reimburse dairy farmers and manufacturers for losses incurred due to heptachlor contamination. Farmers have submitted claims under this program and are awaiting the passage of the supplemental for their indemnity payment. Lastly, there is a CCC supplemental for reimbursement of losses, changing the current appropriation to permanent indefinite authority. The CCC will be out of funds by late May or early June.

Mr. CONTE. Does the Department currently have any supplemental requests pending at OMB? If so, please explain.

Secretary LYNG. Yes we do. The Packers and Stockyards supplemental was just sent to OMB on April 17 requesting $80,000 to carry out responsibilities set forth in Section 1324 of P.L. 99-198 — the Food Security Act of 1985.

FARM LABOR HOUSING

Mr. CONTE. Most Federal grant and loan programs involving the new construction or rehabilitation of housing projects do require approval by local chief executives prior to the submission of an application. Pleace explain why the 514 and 516 programs do not have such a requirement in all cases.

Secretary LYNG. The Section 514 and 516 programs, loans and grants for Farm Labor Housing, are subject to a threshold set by States for housing programs of projects for review. At this time, many States are not reviewing projects of less than 25 units.

In addition, FmHA does not generally require approval by local chief executives prior to submission of an application unless, of course, the applicant is the local governing body. In the case of a nongovernmental applicant, FmHA requires that the site has appropriate zoning for the proposed housing and that any adverse environmental impacts are mitigated. Zoning of land is of course a local government responsibility.

Mr. CONTE. Has the Department considered amending the regulations to require local executive sign-off in all cases?

Secretary LYNG. The Department considers its regulations sufficient at this time in regard to the Section 514 and 516 programs. States may choose to lower the threshold for their review. Local executive sign-off for all cases would be burdensome for both the applicants and to local government if extended nationwide.

Mr. CONTE. Would any significant new costs be incurred by the Department as a result of a statutory requirement for local executive sign-off?

Secretary LYNG. The Department has not considered the impact of a statutory requirement for local executive sign-off on all FmHA-financed housing proposals. The primary cost of such a requirement would be borne by State and local governments and by the applicants. Again, regulations are in place to provide for intergovernmental cooperation and review of federally assisted projects.

Mr. CONTE. Are there any other USDA housing grant or loan programs which do not require project applications to be approved by local authorities prior to or during the application process? If so, please specify the programs and explain why there is no such requirement.

Secretary LYNG. All FmHA housing programs, except individual single family housing loans and grants under Sections 502 and 504, are subject to review of proposed Federal financial assistance and direct Federal development by State an local governments.

CONSERVATION RESERVE PROGRAM

Mr. CONTE. Mr. Secretary, I know that you have expressed disappointment over the relatively small number of bids accepted in the first round of Soil Conservation Reserve signups. To what extent do you believe that this can be attributed to funding uncertainties?

Secretary LYNG. Farmers bid 4.8 million acres which was close to the goal of 5 million for 1986. However, we were disappointed that we were not able to accept the acres needed because of unreasonably high bids. At the time of signup for the Conservation Reserve Program, farmers were also giving consideration to participating in the commodity programs and the Dairy Termination Program. This, in addition to the fact that some producers already had crops planted for harvest in 1986 when the Conservation Reserve Program was announced, may have affected their adequate consideration of the Conservation Reserve. Only a few farmers expressed uncertainties of funding as the reason for not submitting a bid.

Mr. CONTE. What steps are you taking to increase participation in the May 5 signup?

Secretary LYNG. The news media will be used to further publicize the program. Public service announcements on radio and television, where possible, in addition to news releases and newsletters will be the primary sources of information for farmers concerning the Conservation Reserve Program. The Extension Service will continue to be the agency in the Department primarily responsible for disseminating information about the program.

Mr. CONTE. In Massachusetts, only 3 bids and 33 acres were accepted in the first enrollment. Only 6 bids were submitted. I understand that, to a great extent, this low participation was based on the "3T" requirement for FY 86. For the May 5 signup, will you again announce that contracts will only be offered for acreage with an average annual erosion greater than 3T for land classes II through V?

Secretary LYNG. We plan to maintain the present erodibility criteria under the Conservation Reserve Program unless insufficient acreage is obtained to justify giving consideration to increasing the amount of eligible acreage.

Mr. **Conte**. What are your new projections for FY 86 enrollments? What are your targets for FY 87?

Secretary **Lyng**. The Department plans to accept reasonable bids on the maximum acreage possible. Our goal is still 5 million acres for the 1986 crop year and 15 million acres by the end of the 1987 crop year.

FARM DEBT

Mr. **Conte**. Last month, the GAO completed a report entitled "Farm Finance: Farm Debt, Government Payments and Options to Relieve Financial Stress." Would you please provide your comment on this report for our committee?

Secretary **Lyng**. The report reviewed indicators of farm financial stress in association with federal farm payments. Leverage and profitability data were compared for farms that did and did not receive federal farm program payments. The final section of the report presented results of an analysis of alternative farm sector restructuring alternatives.

We have not reviewed the report in detail and offer here only several observations. First, the differences in leverage and profitability data between participants and non-participants in government programs are due to a wide range of factors in addition to whether or not the operator participates in the support programs. Second, the restructuring alternative presented in the report may to some extent mask restructuring arrangements currently underway by FmHA, commercial banks, and other institutional and non-institutional creditors. We concur with the summary comments of the report, page 18: ". . . While targeting of benefits on the basis of need may reduce costs of the alternatives, it also poses some difficulties. There may be little sense in supporting farmers who cannot be expected to survive even with assistance. Also, farmers who took a conservative approach and stayed out of debt may resent benefits flowing to their risk-taking neighbors."

FARM BILL

Mr. **Conte**. Please provide copies of all of the public laws amending the 1985 Farm bill.

Secretary **Lyng**. I will supply that information for the record.

[The information follows:]

FOOD SECURITY ACT OF 1985, AMENDMENTS, ETC.

Public Law 99-253
99th Congress

An Act

Feb. 28, 1986
[S. 2036]

To make certain technical corrections to amendments made by the Food Security Act of 1985, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. CROSS COMPLIANCE FOR 1986 THROUGH 1990 CROPS OF WHEAT.

7 USC 1445b-3.
Ante, p. 1383.
Loans.

Paragraph (2) of section 107D(n) of the Agricultural Act of 1949 (as added by section 308 of the Food Security Act of 1985 (Public Law 99-198)) is amended to read as follows:

"(2) The Secretary may require that, as a condition of eligibility of producers on a farm for loans, purchases, or payments under this section, the acreage planted for harvest on the farm to any other commodity for which an acreage limitation program is in effect not exceed the crop acreage base for that commodity.".

SEC. 2. CROSS COMPLIANCE FOR 1986 THROUGH 1990 CROPS OF FEED GRAINS.

7 USC 1444e.
Ante, p. 1395.
Loans.

Paragraph (2) of section 105C(n) of the Agricultural Act of 1949 (as added by section 401 of the Food Security Act of 1985 (Public Law 99-198)) is amended to read as follows:

"(2) The Secretary may require that, as a condition of eligibility of producers on a farm for loans, purchases, or payments under this section, the acreage planted for harvest on the farm to any other commodity for which an acreage limitation program is in effect not exceed the crop acreage base for that commodity.".

SEC. 3. AGRICULTURAL STABILIZATION AND CONSERVATION COMMITTEES.

Ante, p. 1635.

The fifth paragraph of section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) (as amended by section 1711(a) of the Food Security Act of 1985 (Public Law 99-198)) is amended by—

(1) in the third sentence, striking out "community committee" and inserting in lieu thereof "local committee"; and

(2) striking out the fourth and fifth sentences and inserting in lieu thereof the following new sentences: "Each local administrative area shall have one local committee consisting of at least three members elected to three-year terms in a local election to be held every third year, except that there may be more than one local committee per administrative area in counties that, as of the date of enactment of the Food Security Act of 1985, have more than three local committees. Only one local administrative area shall hold an election in any given year in each county. Only farmers within a local administrative area who are producers who participate or cooperate in programs administered within their area shall be eligible for nomination and election to the local committee for that area: *Provided*, That

the foregoing requirement of this sentence shall not apply to any county that, on the date of enactment of the Food Security Act of 1985, had less than three local administrative areas. Only farmers who are participating or cooperating producers within an area shall be eligible to vote in the election in that area.".

Ante, p. 1354.

SEC. 4. DETERMINATION OF CROP ACREAGE BASES.

Subsection (b)(1)(B)(ii) of section 504 of the Agricultural Act of 1949 (as added by section 1031 of the Food Security Act of 1985 (Public Law 99-198)) is amended by striking out "paragraph (1)(A) and paragraph (1)(B)(i)" and inserting in lieu thereof "clause (i)".

7 USC 1464.

Ante, p. 1460.

Approved February 28, 1986.

LEGISLATIVE HISTORY—S. 2036:

CONGRESSIONAL RECORD, Vol. 132 (1986):
Jan. 30, considered and passed Senate.
Feb. 4, considered and passed House, amended.
Feb. 7, Senate concurred in House amendment.

○

Public Law 99-260
99th Congress

An Act

Entitled the "Food Security Improvements Act of 1986".

Mar. 20, 1986
[H.R. 1614]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Food Security Improvements Act of 1986.
Agriculture and agricultural commodities.
7 USC 1281 note.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Food Security Improvements Act of 1986".

Conservation.

SEC. 2. NONPROGRAM CROPS.

99 Stat. 1383.
7 USC 1445b-3.

(a) WHEAT.—Section 107D(c)(1) of the Agricultural Act of 1949 (as added by section 308 of the Food Security Act of 1985) is amended—

(1) in subparagraph (C), by striking out "or nonprogram crops" each place it appears in clauses (i) and (iv) and inserting in lieu thereof "(except as provided in subparagraph (K))";

(2) in subparagraph (C)(iii), by striking out the last sentence and inserting in lieu thereof the following new sentence: "To be eligible for payments under this clause, such producers must devote such acreage to conservation uses (except as provided in subparagraph (K)).''; and

(3) by striking out subparagraph (K) and inserting in lieu thereof the following new subparagraph:

Sorghum.
Guar.
Sesame.
Safflower.
Sunflower.
Castor beans.
Mustard seed.
Crambe.
Plantago ovato.
Flaxseed.
Triticale.
Rye.

"(K)(i) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (C) to be devoted to sweet sorghum or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit such acreage to be devoted to such production only if the Secretary determines that—

"(I) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

"(II) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of such raw material and could lead to increased industrial use of such raw material to the long-term benefit of United States industry.

State and local governments.

99 Stat. 1635, 1636.

"(ii)(I) Except as provided in subclause (II), the Secretary shall permit, at the request of the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State and subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (C) in such State to be devoted to haying and grazing.

Prohibition.

"(II) Haying and grazing shall not be permitted for any crop under subclause (I) if the Secretary determines that haying and grazing would have an adverse economic effect.".

99 Stat. 1395.
7 USC 1444e.

(b) Feed Grains.—Section 105C(c)(1) of the Agricultural Act of 1949 (as added by section 401 of the Food Security Act of 1985) is amended—

(1) in subparagraph (B), by striking out "or nonprogram crops" each place it appears in clauses (i) and (iv) and inserting in lieu thereof "(except as provided in subparagraph (I))";

(2) in subparagraph (B)(iii), by striking out the last sentence and inserting in lieu thereof the following new sentence: "To be eligible for payments under this clause, such producers must devote such acreage to conservation uses (except as provided in subparagraph (I)).''; and

(3) by striking out subparagraph (I) and inserting in lieu thereof the following new subparagraph:

Sorghum.
Guar.
Sesame.
Safflower.
Sunflower.
Castor beans.
Mustard seed.
Crambe.
Plantago ovato.
Flaxseed.
Triticale.
Rye.

"(I)(i) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) to be devoted to sweet sorghum or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit such acreage to be devoted to such production only if the Secretary determines that—

"(I) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

"(II) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of such raw material and could lead to increased industrial use of such raw material to the long-term benefit of United States industry.

State and local governments.

99 Stat. 1635, 1636.

"(ii)(I) Except as provided in subclause (II), the Secretary shall permit, at the request of the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State and subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) in such State to be devoted to haying and grazing.

Prohibition.

"(II) Haying and grazing shall not be permitted for any crop under subclause (I) if the Secretary determines that haying and grazing would have an adverse economic effect.".

99 Stat. 1407.
7 USC 1444-1.

(c) Cotton.—Section 103A(c)(1) of the Agricultural Act of 1949 (as added by section 501 of the Food Security Act of 1985) is amended—

(1) in subparagraph (B), by striking out "or nonprogram crops" each place it appears in clauses (i) and (iv) and inserting in lieu thereof "(except as provided in subparagraph (G))";

(2) in subparagraph (B)(iii), by striking out the last sentence and inserting in lieu thereof the following new sentence: "To be eligible for payments under this clause, such producers must devote such acreage to conservation uses (except as provided in subparagraph (G)).''; and

(3) by striking out subparagraph (G) and inserting in lieu thereof the following new subparagraph:

Sorghum.
Guar.
Sesame.
Safflower.
Sunflower.
Castor beans.
Mustard seed.
Crambe.
Plantago ovato.
Flaxseed.
Triticale.
Rye.

"(G)(i) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) to be devoted to sweet sorghum or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit such acreage to be devoted to such production only if the Secretary determines that—

"(I) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

"(II) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of such raw material and could lead to increased industrial use of such raw material to the long-term benefit of United States industry.

State and local governments.

99 Stat. 1635, 1636.

"(ii)(I) Except as provided in subclause (II), the Secretary shall permit, at the request of the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State and subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) in such State to be devoted to haying and grazing.

Prohibition.

"(II) Haying and grazing shall not be permitted for any crop under subclause (I) if the Secretary determines that haying and grazing would have an adverse economic effect.".

99 Stat. 1419.
7 USC 1444-1.

(d) Rice.—Section 101A(c)(1) of the Agricultural Act of 1949 (as added by section 601 of the Food Security Act of 1985) is amended—

(1) in subparagraph (B), by striking out "or nonprogram crops" each place it appears in clauses (i) and (iv) and inserting in lieu thereof "(except as provided in subparagraph (G))";

(2) in subparagraph (B)(iii), by striking out the last sentence and inserting in lieu thereof the following new sentence: "To be eligible for payments under this clause, such producers must devote such acreage to conservation uses (except as provided in subparagraph (G)).''; and

(3) by striking out subparagraph (G) and inserting in lieu thereof the following new subparagraph:

Sorghum.
Guar.
Sesame.
Safflower.
Sunflower.
Castor beans.
Mustard seed.
Crambe.
Plantago ovato.
Flaxseed.
Triticale.
Rye.

"(G)(i) The Secretary may permit, subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) to be devoted to sweet sorghum or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, rye, commodities for which no substantial domestic production or market exists but that could yield industrial raw material being imported, or likely to be imported, into the United States, or commodities grown for experimental purposes (including kenaf), subject to the following sentence. The Secretary may permit such acreage to be devoted to such production only if the Secretary determines that—

"(I) the production is not likely to increase the cost of the price support program and will not affect farm income adversely; and

"(II) the production is needed to provide an adequate supply of the commodity, or, in the case of commodities for which no substantial domestic production or market exists but that could yield industrial raw materials, the production is needed to encourage domestic manufacture of such raw material and could lead to increased industrial use of such raw material to the long-term benefit of United States industry.

State and local governments.

99 Stat. 1635, 1636.

"(ii)(I) Except as provided in subclause (II), the Secretary shall permit, at the request of the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State and subject to such terms and conditions as the Secretary may prescribe, all or any part of acreage otherwise required to be devoted to conservation uses as a condition of qualifying for payments under subparagraph (B) in such State to be devoted to haying and grazing.

Prohibition.

"(II) Haying and grazing shall not be permitted for any crop under subclause (I) if the Secretary determines that haying and grazing would have an adverse economic effect.".

Wheat.
Feedgrains.
Cotton.
Rice.
Soybeans.
Prohibition.
7 USC 1441-1 note.

(e) APPLICATION.—In the case of the 1986 crops of wheat, feed grains, upland cotton, and rice, the amendments made by this section shall not apply to any producer who demonstrates to the satisfaction of the Secretary of Agriculture that the producer, before February 26, 1986, planted or contracted to plant for the 1986 crop year a portion of the permitted acreage of the producer to any agricultural commodity other than wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybeans.

SEC. 3. FARM PROGRAM PAYMENT YIELDS.

99 Stat. 1463.
7 USC 1466.

(a) ESTABLISHED PRICE PAYMENTS FOR 1986 AND 1987 CROP YEARS.—Section 506(b) of the Agricultural Act of 1949 (as added by section 1031 of the Food Security Act of 1985) is amended—

(1) in paragraph (1), by striking out "paragraph (2)" and inserting in lieu thereof "paragraphs (2) and (3)";

(2) by redesignating paragraphs (2) through (4) as paragraphs (3) through (5), respectively; and

(3) by inserting after paragraph (1) the following new paragraph:

"(2)(A) In the case of the 1986 crop year for a commodity, if the farm program payment yield for a farm is reduced more than 3 percent below the farm program payment yield for the 1985 crop year, the Secretary shall make available to producers established price payments for the commodity (in the form of commodities owned by the Commodity Credit Corporation) in such amount as the Secretary determines is necessary to provide the same total return to producers as if the farm program payment yield had not been reduced more than 3 percent below the farm program payment yield for the 1985 crop year.

"(B) In the case of the 1987 crop year for a commodity, if the farm program payment yield for a farm is reduced more than 5 percent below the farm program payment yield for the 1985 crop year, the Secretary shall make available to producers established price payments for the commodity (in the form of commodities owned by the Commodity Credit Corporation) in such amount as the Secretary determines is necessary to provide the same total return to producers as if the farm program payment yield had not been reduced more than 5 percent below the farm program payment yield for the 1985 crop year.".

Prohibition.
99 Stat. 1463.
7 USC 1466.

(b) FARM PROGRAM PAYMENT YIELDS FOR 1988 AND SUBSEQUENT CROP YEARS.—Section 506(c)(1) of the Agricultural Act of 1949 is amended by adding at the end thereof the following new sentence: "Notwithstanding any other provision of this paragraph, for purposes of establishing a farm program payment yield for any program crop for any farm for the 1988 and subsequent crop years, the farm program payment yield for the 1986 crop year may not be reduced more than 10 percent below the farm program payment yield for the farm for the 1985 crop year.".

SEC. 4. SPECIAL ASSISTANT FOR AGRICULTURAL TRADE AND FOOD ASSISTANCE.

99 Stat. 1479.
7 USC 1736-1.

(a) CHANGE OF TITLE.—(1) Section 1113 of the Food Security Act of 1985 is amended—

(A) in the caption, by striking out "FOOD AID" and inserting in lieu thereof "FOOD ASSISTANCE"; and

(B) in subsection (a), by striking out "Food Aid" and inserting in lieu thereof "Food Assistance".

(2) The table of contents in section 2 of such Act is amended by striking out "Food Aid" in the item relating to section 1113 and inserting in lieu thereof "Food Assistance".

President of U.S.

(b) APPOINTMENT OF INITIAL SPECIAL ASSISTANT.—Section 1113(a) of such Act is amended by adding at the end thereof the following new sentence: "The President shall appoint the initial Special Assistant not later than May 1, 1986.".

(c) REMOVAL OF LEVEL I CLASSIFICATION.—Section 5312 of title 5, United States Code, as amended by section 1113(d) of the Food Security Act of 1985, is amended by striking out the item relating to:

"Special Assistant for Agricultural Trade and Food Aid.".

7 USC 1736-1.

(d) COMPENSATION FOR THE SPECIAL ASSISTANT.—Section 1113(d) of the Food Security Act of 1985 is amended to read as follows:

President of U.S.

"(d) Compensation for the Special Assistant shall be fixed by the President at an annual rate of basic pay of not less than the rate applicable to positions in level III of the Executive Schedule.".

SEC. 5. TARGETED EXPORT ASSISTANCE.

99 Stat. 1481.
7 USC 1736s.

Section 1124 of the Food Security Act of 1985 is amended by striking out subsection (a) and inserting in lieu thereof the following new subsection:

"(a) For export activities authorized to be carried out by the Secretary of Agriculture or the Commodity Credit Corporation, in addition to any funds or commodities otherwise required under this Act to be used for such activities—

"(1) for each of the fiscal years ending September 30, 1986, through September 30, 1988, the Secretary shall use under this section not less than $110,000,000 of funds of, or commodities owned by, the Corporation; and

"(2) for each of the fiscal years ending September 30, 1989, and September 30, 1990, the Secretary shall use under this section not less than $325,000,000 of funds of, or commodities owned by, the Corporation.".

SEC. 6. DEVELOPMENT AND EXPANSION OF MARKETS FOR UNITED STATES AGRICULTURAL COMMODITIES.

99 Stat. 1483.
7 USC 1736v.

Subsection (i) of section 1127 of the Food Security Act of 1985 is amended to read as follows:

"(i) During the period beginning October 1, 1985, and ending September 30, 1988, the Secretary shall use agricultural commodities and the products thereof referred to in subsection (a) to carry out this section, except that the value of the commodities and products may not be less than $1,000,000,000, nor more than $1,500,000,000. To the maximum extent practicable, such commodities shall be used in equal amounts during each of the years in such period.".

SEC. 7. HAY AND GRAZING ON DIVERTED WHEAT AND FEED GRAIN ACREAGE.

(a) WHEAT.—Subparagraph (C) of section 107D(f)(4) of the Agricultural Act of 1949 (as added by section 308 of the Food Security Act of 1985) is amended to read as follows:

99 Stat. 1383.
7 USC 1445b-3.
State and local governments.
99 Stat. 1635, 1636.

"(C)(i) Except as provided in clause (ii), the Secretary shall permit, at the request of the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State and subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage diverted from production by participating producers in such State to be devoted to—

"(I) hay and grazing during not less than 5 of the principal growing months (as established for a State by the State committee), in the case of the 1986 crop of wheat; and

"(II) grazing, in the case of each of the 1987 through 1990 crops of wheat.

"(ii) In the case of each of the 1987 through 1990 crops of wheat, grazing shall not be permitted for any crop of wheat under clause (i)(II) during any 5-consecutive-month period that is established for such crop for a State by the State committee established under section 8(b) of such Act.".

(b) FEED GRAINS.—Subparagraph (C) of section 105C(f)(4) of the Agricultural Act of 1949 (as added by section 401 of the Food Security Act of 1985) is amended to read as follows:

99 Stat. 1395.
7 USC 1444e.

"(C)(i) Except as provided in clause (ii), the Secretary shall permit, at the request of the State committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) for a State and subject to such terms and conditions as the Secretary may prescribe, all or any part of such acreage diverted from production by participating producers in such State to be devoted to—

"(I) hay and grazing during not less than 5 of the principal growing months (as established for a State by the State committee), in the case of the 1986 crop of feed grains; and

"(II) grazing, in the case of each of the 1987 through 1990 crops of feed grains.

"(ii) In the case of each of the 1987 through 1990 crops of feed grains, grazing shall not be permitted for any crop of feed grains under clause (i)(II) during any 5-consecutive-month period that is established for such crop for a State by the State committee established under section 8(b) of such Act.".

Prohibition.

SEC. 8. PROTECTION OF BASE ON NONPROGRAM CROP ACREAGE.

Section 504(b)(2) of the Agricultural Act of 1949 (as added by section 1031 of the Food Security Act of 1985) is amended—

99 Stat. 1461.
7 USC 1464.

(1) by redesignating clause (D) as clause (E); and

(2) by striking out clause (C) and inserting in lieu thereof the following new clauses:

"(C) acreage in an amount equal to the difference between the permitted acreage for a program crop and the acreage planted to the crop, if the acreage considered to be planted is devoted to conservation uses or the production of commodities permitted under section 107D(c)(1)(K), 105C(c)(1)(I), 103A(c)(1)(G), or 101A(c)(1)(G), as the case may be;

Conservation.

99 Stat. 1383, 1395, 1407, 1419.
7 USC 1445b-3, 1444e, 1444-1, 1441-1.

"(D) in the case of each of the 1986 through 1989 crop years, acreage in an amount equal to not to exceed 50 percent of the permitted acreage for a program crop for each of the 1986 and 1987 crop years, 35 percent of the permitted acreage for the 1988 crop year, and 20 percent of the permitted acreage for the 1989 crop year, if—

"(i) the acreage considered to be planted is planted to a crop, other than a program crop, peanuts, soybeans, extra long staple cotton, or commodities specified in clause (C);

Peanuts.
Soybeans.
Cotton.

"(ii) the producers on the farm plant for harvest to the program crop at least 50 percent of the permitted acreage for such crop; and

"(iii) payments are not received by producers under 107D(c)(1)(C), 105C(c)(1)(B), 103A(c)(1)(B), or 101A(c)(1)(B), as the case may be; and".

SEC. 9. MARKETWIDE SERVICE PAYMENTS.

(a) Hearing.—Not later than 90 days after receipt of a proposal to amend a milk marketing order in accordance with section 8c(5)(J) of the Agricultural Adjustment Act, reenacted with amendments by the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 608c(5)(J)) (as added by section 133 of the Food Security Act of 1985), the Secretary of Agriculture shall conduct a hearing on the proposal.

7 USC 608c note.

99 Stat. 1373.

(b) Implementation.—Not later than 120 days after a hearing is conducted under subsection (a), the Secretary shall implement, in accordance with the Agricultural Adjustment Act, a marketwide service payment program under section 8c(5)(J) of such Act that meets the requirements of such Act.

7 USC 601 note.

SEC. 10. INCREASED MILK ASSESSMENTS TO MEET DEFICIT REDUCTION REQUIREMENTS.

99 Stat. 1362.
7 USC 1446.

Effective March 1, 1986, section 201(d)(2) of the Agricultural Act of 1949 (as amended by section 101(a) of the Food Security Act of 1985 (Public Law 99-198)) is amended—

(1) in subparagraph (B), by striking out "The" and inserting in lieu thereof "Except as provided in subparagraph (E), the"; and

(2) by adding at the end thereof the following new subparagraph:

99 Stat. 1072.
2 USC 902.

"(E)(i) In lieu of any reductions in payments made by the Secretary for the purchase of milk and the products of milk under this subsection during the period beginning March 1, 1986, and ending September 30, 1986, required under the order issued by the President on February 1, 1986, under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), the Secretary shall increase the amount of the reduction required under subparagraph (A) during the period beginning April 1, 1986, and ending September 30, 1986, as the sole means of meeting any reductions required under the order in payments made by the Secretary for the purchase of milk and the products of milk under this subsection.

Prohibition.

"(ii) The aggregate amount of any increased reduction under clause (i) shall be equal, to the extent practicable, to the aggregate amount of the reduction that would otherwise be required under the order referred to in clause (i) in payments made by the Secretary for the purchase of milk and the products of milk under this subsection during the period beginning March 1, 1986, and ending September 30, 1986, except that the amount of any increased reduction under clause (i) may not exceed 12 cents per hundredweight of milk marketed.".

SEC. 11. RESEARCH ON EXTERNAL COMBUSTION ENGINES.

Exports.
Prohibition.
15 USC 714b.

Section 4(m) of the Commodity Credit Corporation Charter Act is amended by adding at the end thereof a new sentence as follows: "Notwithstanding any other provision of this Act, the Corporation may, in the exercise of its power to remove and dispose of surplus agricultural commodities, export, or cause to be exported, not to exceed such amounts of commodities owned by the Corporation as will enable the Corporation to finance research and development of external combustion engines using fuel other than that derived from petroleum and petroleum products. The total value of commodities exported annually for the purposes of the research authorized by the preceding sentence may not exceed $30,000,000.".

SEC. 12. QUALITY CONTROL STUDIES UNDER THE FOOD STAMP PROGRAM.

99 Stat. 1587.
7 USC 2025 note.

Section 1538 of the Food Security Act of 1985 is amended—

(1) in subsection (a)(3), by striking out "of enactment of this Act" and inserting in lieu thereof "the Secretary and the National Academy of Sciences enter into the contract required under paragraph (2)";

(2) in subsection (c)(1), by striking out "18 months after the date of enactment of this Act" and inserting in lieu thereof "6 months after the date on which the results of both studies required under subsection (a)(3) have been reported"; and

(3) in subsection (c)(2), by striking out "2 years after the date of enactment of this Act" and inserting in lieu thereof "6

months after the date on which the results of both studies required under subsection (a)(3) have been reported,".

SEC. 13. ADVANCE RECOURSE LOANS.

7 USC 1433c-1.

(a) It is the sense of Congress that the Secretary of Agriculture carry out a program authorized by section 424 of the Agricultural Act of 1949. Such program, if implemented, shall provide for the following:

99 Stat. 1447.
7 USC 1433c.

Prohibition.

(1) Advance recourse loans shall be made available only to those producers of a commodity who are unable to obtain sufficient credit elsewhere to finance the production of the 1986 crop of that commodity, taking into consideration prevailing private and cooperative rates and terms for loans for similar purposes (as determined by the Secretary) in the community in or near which the applicant resides. A producer who has received a commitment or been furnished sufficient credit or a loan for production of the 1986 crop of a commodity shall not be eligible for an advance recourse loan to finance the production of that commodity for such crop year.

(2) Advance recourse loans shall be made available to producers of a commodity at the applicable nonrecourse loan rate for the commodity (as determined by the Secretary). Within the limits set out in paragraphs (5) and (7), advance recourse loans shall be available—

Wheat.
Feed grains.
Cotton.
Rice.

(A) to producers of wheat, feed grains, cotton, and rice who agree to participate in the program announced for the commodity on an amount of the commodity equal to one-half of the farm program yield for the commodity multiplied by the farm program acreage intended to be planted to the commodity for harvest in 1986, as determined by the Secretary;

Tobacco.
Peanuts.

(B) to producers of tobacco and peanuts who are on a farm for which a marketing quota or poundage quota has been established on an amount of the commodity equal to one-half of the farm marketing quota or poundage quota for the commodity, as determined by the Secretary; and

(C) to producers of other commodities on an amount of the commodity equal to one-half of the farm yield for the commodity multiplied by the farm acreage intended to be planted to the commodity for harvest in 1986, as determined by the Secretary.

Contracts.

(3) An advance recourse loan under section 424 shall come due at such time immediately following harvest as the Secretary determines appropriate. Each loan contract entered into under section 424 shall specify the date on which the loan is to come due.

(4)(A) The Secretary shall establish procedures, when practicable, under which a producer, simultaneously with repayment of his recourse loan, may obtain a nonrecourse loan on his crop (as otherwise provided for in the Agricultural Act of 1949) in an amount sufficient to repay his recourse loan.

7 USC 1421 note.

(B) In cases in which nonrecourse loans under such Act are not normally made available directly to producers, the Secretary shall establish procedures under which a producer may repay a recourse loan at the same time the producer receives advances or other payment from the producer's disposition of his crop.

(5) Advance recourse loans shall be made available as needed solely to cover costs involved in the production of the 1986 crop that are incurred or are outstanding on or after the date of enactment of this section.

(6) To obtain an advance recourse loan, the producer on a farm must—

(A) provide as security for the loan a first lien on the crop covered by the loan or provide such other security as may be available to the producer and determined by the Secretary to be adequate to protect the Government's interests; and

Insurance.

(B) obtain multiperil crop insurance, if available, to protect the crop that serves as security for the loan.

Insurance.

If a producer does not have multiperil crop insurance and is located in a county in which the signup period for multiperil crop insurance has expired, the producer shall be required to obtain other crop insurance, if available.

Prohibition.
99 Stat. 1447.
7 USC 1433c.

(7) The total amount in advance recourse loans that may be made to a producer under section 424 may not exceed $50,000.

(8) An advance recourse loan may be made available only to a producer who agrees to comply with such other terms and conditions determined appropriate by the Secretary and consistent with the provisions of section 424.

99 Stat. 1635, 1636.

(b) The Secretary shall carry out the program provided for under section 424 through the Commodity Credit Corporation, using the services of the Agricultural Stabilization and Conservation Service and the county committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) to make determinations of eligibility with respect to the credit test under subsection (a)(1), and determinations as to the sufficiency of security under subsection (a)(6). The Secretary may use such committees for such other purposes as the Secretary determines appropriate in carrying out section 424.

Regulations.

(c) It is further the sense of Congress that the Secretary of Agriculture issue or, as appropriate, amend regulations to implement any program established under section 424 as soon as practicable, but not later than 15 days after the date of enactment of this Act. Loans and other assistance provided under such program shall be made available beginning on the date such regulations are issued or amended.

SEC. 14. TRANSFER OF AGRICULTURAL PRODUCTS STORED IN WAREHOUSES.

Section 17 of the United States Warehouse Act (7 U.S.C. 259) is amended—

(1) by striking out "That" and inserting in lieu thereof "(a) Except as provided in subsection (b),"; and

(2) by adding at the end thereof the following new subsection:

Regulations.

"(b)(1) Notwithstanding any other provision of this Act, if a warehouseman because of a temporary shortage lacks sufficient space to store the agricultural products of all depositors in a licensed warehouse, the warehouseman may, in accordance with regulations issued by the Secretary of Agriculture and subject to such terms and conditions as the Secretary may prescribe, transfer stored agricultural products for which receipts have been issued out of such warehouse to another licensed warehouse for continued storage.

"(2) The warehouseman of a licensed warehouse from which agricultural products have been transferred under paragraph (1) shall deliver to the rightful owner of such products, on request, at the licensed warehouse where first deposited, such products in the amount, and of the kind, quality, and grade, called for by the receipts or other evidence of storage of such owner.".

SEC. 15. PLAN FOR THE USE OF AFRICA FAMINE RELIEF.

Title II of the Act of April 4, 1985, entitled "An Act Making urgent supplemental appropriations for the fiscal year ending September 30, 1985, for emergency famine relief and recovery in Africa, and for other purposes", Public Law 99-10, is amended by striking out "the Administrator" and all that follows through "Africa." and inserting in lieu thereof the following: "the President certifies that the use of such funds is essential to famine relief in Africa. The Administrator of the Agency for International Development shall prepare and submit to Congress before April 15, 1986, a plan specifying how such additional funds for African famine relief would be used. The plan shall ensure, among other things, that the funds for the reserve, if utilized, shall be available to cover all costs for inland transportation of food only as are necessary for its timely delivery.". 99 Stat. 28.

SEC. 16. ESTIMATION OF COMMODITY CREDIT CORPORATION UNCOMMITTED STOCK.

Section 416(b)(10)(B) of the Agricultural Act of 1949 is amended— 99 Stat. 1467. 7 USC 1431.

(1) by inserting before the period at the end of the second sentence the following: "or, in the case of fiscal year 1986, prior to March 31, 1986"; and

(2) by inserting before the period at the end of the third sentence the following: "or, in the case of fiscal year 1986, March 31, 1986".

Approved March 20, 1986.

LEGISLATIVE HISTORY—H.R. 1614 (S. 822) (S. 2143):

HOUSE REPORT No. 99-146 (Comm. on Agriculture).
CONGRESSIONAL RECORD:
Vol. 131 (1985): June 5, considered and passed House.
Vol. 132 (1986): Mar. 6, considered and passed Senate, amended, in lieu of S. 2143; House concurred in Senate amendments.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 22, No. 12 (1986): Mar. 20, Presidential statement.

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FARM BILL

Mr. CONTE. Please provide a summary of all of the proposed legislation to amend the 1985 Farm Bill that has been or will be submitted by the Department.

Secretary LYNG. The Department plans no submission of amendments of the 1985 Farm Bill at this time.

DAIRY TERMINATION PROGRAM

Mr. CONTE. What steps has the Department taken to encourage the export of cows, heifers and calves?

Secretary LYNG. We have taken the following actions. We have called upon our Agricultural Counselors and Attaches overseas to contact importers, government officials and producer associations to promote these cattle. The Foreign Agricultural Service and the Animal and Plant Health Inspection Service are dealing with veterinary regulations that inhibit the import of U.S cattle into some countries. To date, FAS has announced Export Enhancement Programs for dairy cattle to five countries. Those countries and the amount of dairy cattle are the following: Iraq in the amount of 6,500 head; Indonesia in the amount of 7,500 head; Morocco in the amount of 4,000 head; Egypt in the amount of 6,000 head; and Turkey in the amount of 5,000 head. The FAS also has Export Enhancement Programs under consideration for the countries of Algeria and Tunisia. The Commodity Credit Corporation has authorized for FY 1986 an additional $50 million in GSM-102 credit guarantees for breeding livestock exported to Mexico. The CCC is preparing a proposed program for intermediate—3-10 year—credit guarantees under GSM-103 as authorized in the Food Security Act of 1985 to be published in the Federal Register. The CCC will also propose a program to cover freight for breeding animals under both GSM-102 and intermediate credit guarantee programs. The FAS has provided guidance to private development groups such as Heifer Project International and World Vision for the donation of dairy cattle to low-income countries. The FAS maintains a list of U.S. exporters of dairy cattle and provides that list upon request to farmers, foreign importers and State Departments of Agriculture. The FAS and APHIS are working directly with U.S. dairy cattle exporters and the three dairy breed associations that are part of the cooperator program in these areas in order to move cattle overseas. Also the FAS and Agricultural Stabilization and Conservation Service are appointing a coordinator for the GSM-102 program to Mexico who will focus on facilitating the export of DTP cattle.

Mr. CONTE. How many have actually been offered for export?

Secretary LYNG. First, it should be stressed that the usual trade in dairy cattle in world markets is for bred heifers. Importers are generally not interested in cows and calves, although Mexico has expressed some interest in first and second lactation cows. There are 341,000 heifers and 258,000 calves in the program. The heifers are the best candidates for export. The buying and exporting of dairy cattle is being done in the private sector by U.S. firms in the business of exporting dairy cattle. Thus, it is difficult to know how many farmers have been contacting exporters to offer their animals for export. Every county ASCS office has been given the contact person in FAS for inquiries about exporting. As a result, since the beginning of the program, FAS has responded to many calls from farmers around the country who are interested in exporting some of their cattle. As already stated, these farmers have been directed to exporters. State Departments of Agriculture have also requested information about exporting cattle so they can work with farmers at the state level.

Mr. CONTE. Do you have an expert target established for FY 86? For FY 87?

Secretary LYNG. We do not set export targets for commodities. Our job is to create the environment for the private sector to do its job. With the Dairy Termination Program there is a unique, one-time opportunity for importing countries to buy quality U.S. dairy cattle at a significant discount which could further enhance the image of U.S. dairy genetics vis-a-vis our competitors. We have taken the actions already noted to create and enhance the opportunities for exporters to sell quality U.S. dairy cattle to other countries out of this program.

COOPERATIVE EXTENSION SERVICE

Mr. CONTE. Do you consider EFNEP to be a duplication of any other Federal food and nutrition assistance program? If so, please explain.

Secretary LYNG. No, we do not consider EFNEP to be duplicative of any other Federal program. However, there are other Federal programs that make available certain aspects of the information contained in EFNEP programs.

Mr. CONTE. Do you have any data indicating that States or localities are able or willing to assume a greater share of the cooperative extension program costs?

Secretary LYNG. We have not heard from all States as to their plans for a reduced Federal presence in the Extension program. Most of the States are under tight budget conditions and have already presented their funding requests to their State legislatures for action.

Mr. CONTE. Please summarize the nature and extent of any cooperative agreements or activities between the Extension Service and APHIS in the animal damage control program.

Secretary LYNG. Currently, there have been no formal cooperative agreements executed between ES and APHIS in this area since the program transferred from the Department of Interior. However, Extension specialists in the States are continuing work in animal damage control under previous agreements with the Fish and Wildlife Service.

FOREIGN OWNERSHIP OF AGRICULTURAL LAND

Mr. CONTE. Please provide for the record a summary of the recent ERS publication entitled "Foreign Ownership of U.S. Agricultural Land Through December 31, 1985".

Secretary LYNG. I will be happy to supply that for the record.

[The information follows:]

FOREIGN OWNERSHIP OF AGRICULTURAL LAND

SUMMARY

Foreign persons reported that they owned 12.1 million acres, or slightly less than 1 percent, of privately owned U.S. agricultural land (farmland and forestry) as of December 31, 1985. This 1.9-million acre decline (from 14 million acres owned in 1984) is primarily due to (1) the change in status from foreign to nonforeign of one U.S. corporation with holdings of 2.1 million acres of agricultural land, and (2) a reduction of 1 million acres from the data base for reports not required to be filed as a result of changes in the reporting requirements which became effective October 9, 1984. This 3.1 million-acre reduction was offset, in part, by an addition of 1.3 million acres reported by a U.S. corporation which became foreign under the reporting requirements during 1985. These and other findings are based on an analysis of reports submitted to the U.S. Department of Agriculture under the Agricultural Foreign Investment Disclosure Act of 1978.

Information received at the time of reporting shows that forest land accounts for 51 percent of all foreign-owned acreage, cropland for 17 percent, pasture and other agricultural land for 27 percent, and nonagricultural and unreported uses for 5 percent.

Corporations own 79 percent of the holdings acreage; partnerships, 12 percent; and individuals, 8 percent. The remaining 3 percent is held by estates, trusts, associations, institutions, and others.

U.S corporations, in which foreign persons have a significant interest or substantial control, reported owning 56 percent of all the foreign-held acreage. The remaining 44 percent was reported as being held or acquired by foreign persons not affiliated with a U.S. corporation.

A number of parcels are owned only in part by foreign investors; that is, the foreign interest is some parcels is less than 100 percent, with the remaining percentage being owned, for example, by a U.S. partnership. When the 12.1 million acres are adjusted for these partial interests, the total foreign-owned acreage drops to an equivalent of 11.1 million acres.

Foreign persons from the United Kingdom, Canada, West Germany, the Netherlands, Antilles, and Switzerland account for 70 percent of the foreign-held acreage.

The largest number of acres owned by foreign persons was reported in Maine. Foreign holdings in Maine account for 16 percent of the total reported holdings and 10.1 percent of the total privately owned agricultural land in Maine. Three companies own 90 percent of the foreign-held acres in Maine, all in forest land. Two companies are Canadian and the third is a U.S. corporation which is partially foreign owned.

Except for Maine, foreign holdings are concentrated in the West and South, each containing 34 percent of the holdings. Rhode Island is the only State with no reported foreign-owned agricultural land.

Foreigners do not appear to be taking purchased agricultural land out of production. No change in intended use at the time of filing was reported for 92 percent of the acreage. No change in tenure was reported for 46 percent of the acres while some change was reported for 28 percent of the acres. No responses regarding tenure change were received for the remaining 25 percent of the acres.

Date gathering and analysis cost the U.S. Department of Agriculture approximately $333,000 for 1985.

ELIGIBILITY TO PARTICIPATE IN COMMODITY PROGRAMS

Mr. CONTE. Are foreign owners of U.S. agricultural land able to participate in U.S. commodity programs? Please explain.

Secretary LYNG. As long as a farmer or producer operates a legitimate operation and meets all CCC program requirements, that operation is eligible to participate in U.S. commodity programs. Absolutely no differentiation is made because of an operator's nationality.

FOREIGN AGRICULTURAL SERVICE

Mr. CONTE. Mr. Secretary, an enterprising new association established in my District now known as the National Embryo Producers Association has been working very closely with the FAS to obtain cooperator status in order to develop some promising new marketing plans.

Would you look into the status of their request and report to me on their prospects for obtaining cooperator status in FY 86?

Secretary LYNG. We are currently considering the National Embryo Producers Association for cooperator status. They have provided us with a plan of activities and a membership list. However, due to the limited amount of funding available to the cooperator program in FY 1987, we will find it difficult to make funding available for any new cooperator groups. We are looking at other options to make funding available at this time. We are not optimistic that we can provide any encouragement for funded cooperator status for the National Embryo Producers Association in FY 1986.

ANIMAL DAMAGE CONTROL PROGRAM

Mr. CONTE. What is the status of the Department's animal damage control program?

Secretary LYNG. We reached an agreement with the Fish and Wildlife Service on the funds, personnel, property, FTE employment targets, and records transferred. With regard to the funds, the Fish and Wildlife Service has a separate line item in their budget for general administration which covers executive direction, administrative services, and related support services such as GSA rent, FTS, postage, unemployment compensation, etc. The $20 million appropirated to APHIS in FY 1986 does not include any funds for general administration requirements. The Fish and Wildlife Service and Animal and Plant Health Inspection Service agreed that general administration costs for animal damage control total $2 million for FY 1986. The Fish and Wildlife Service agreed to assist in support of these requirements for FY 1986, after which USDA will bear these costs.

Mr. CONTE. Has the transfer from the Fish and Wildlife Service been completed?

Secretary LYNG. We completed the transfer as scheduled on April 1, 1986.

Mr. CONTE. Does the Department still believe that the program belongs at APHIS?

Secretary LYNG. Yes, we do. The Agency has a long and successful history of protecting American agriculture, and has the resources to carry out a biologically sound, economically feasible, and environmentally acceptable program.

Mr. CONTE. What activities would be eliminated under your proposal for a 50 percent reduction in the program for FY 87?

Secretary LYNG. Reductions are based on the Department's plans to consolidate the program's regional structure into the APHIS existing structure and to reduce other overhead costs.

Mr. CONTE. Mr. Secretary, in the FY 1986 Continuing Resolution, the conferees agreed to provide $45,000 in addition to the amounts assumed in the ADC budget for the livestock guarding dog research project undertaken at the New England Farm Center of Hampshire College in Amherst, Massachusetts. This increase, as I indicated in my House floor statement summarizing the conference agreements, was intended to expand the work underway in Massachusetts, Texas, and Oregon to include Minnesota.

It is my understanding that the full amount has not yet been made available for the research project. Would you please provide me with a current status report on these funds, and explain when the remainder of the total of approximately $85,000 will be made available?

Secretary LYNG. We have prepared the necessary paperwork to obligate $44,100 to continue the livestock guarding dog research in Massachusetts, Texas, and Oregon, and $45,000 to expand the program to Minnesota. In the near future we plan to sign a cooperative agreement totaling $89,100 with Hampshire College to conduct the research program.

HILLTOWN COMMUNITY DEVELOPMENT CORPORATION

Mr. CONTE. As you know, Mr. Secretary, last year the conferees on the Fiscal Year 1986 Continuing Resolution agreed to terminate the Office of Rural Development Policy. We did, however, agree to provide funds for two very important rural development projects, one of which is to be undertaken by the Hilltown Community Development Corporation of Chesterfield, Massachusetts.

Mr. Secretary, I am very concerned about the delay in obligating the $25,000 in funds which the conference committee earmarked for the product development and marketing project.

Would you please provide me with a current status report on these funds, and explain when the funds will be made available through the Farmers Home Administration to the HCDC?

Secretary LYNG. A memo has been sent to the FmHA State Director in the State of Massachusetts suggesting that a request be made to Hilltown Community Development Corporation to submit a proposal to FmHA for review and approval of these funds. The proposal should include the following: objectives to be accomplished with the grant; how these objectives will be accomplished; and when this is to be done, including a timetable for completion.

After the proposal has been reviewed and subject to departmental concurrence, a grant agreement may be negotiated between the Department of Agriculture and Hilltown. We hope to have this accomplished within 60–90 days.

WOMEN, INFANTS AND CHILDREN (WIC)

Mr. CONTE. There has been a lot of controversy about the 5-year, $5 million study on the Women, Infants and Childrens feeding program which was released in late January of this year. As you know, this was the largest, most comprehensive and technically sophisticated study ever conducted on a Federal nutrition program. USDA has been accused of deleting certain key provisions of the contracted study. Would you comment on these accusations and state for the record your views on the effectiveness of the WIC Program?

Secretary LYNG. Key provisions of the WIC study have not been deleted by the Department. During the Department's review, editorial changes were made to convey the detailed findings in a balanced manner. In my view a program which has grown from $20 million level to a $1.5 billion level in about ten years certainly has an effective growth pattern.

Mr. CONTE. With the $1.56 billion which we provided for FY 1986, are you able to maintain the caseload of 3 million?

Secretary LYNG. Total WIC funding of $1.59 billion, which includes the FY 1986 appropriation of $1.56 billion and $30 million of unspent FY 1985 funds available to the States, will maintain a caseload of about 3 million participants.

Mr. CONTE. Would you provide for the record your views on the need for the $20 million supplemental currently included in H.R. 4515?

Secretary LYNG. The Department does not support the proposal in H.R. 4515 providing an additional $20 million for the WIC Program in FY 1986. As stated, the current FY 1986 funding level will provide benefits to about 3 million persons. Any further budgetary increases are unwarranted while the Administration is trying to control the deficit.

Mr. CONTE. It is my understanding that the $10 million in FY 1985 WIC carryover has been made available to eligible States. Is that correct? Would you provide for the record a breakdown of the distribution of these funds by State? Were these funds distributed?

Secretary LYNG. Yes, $10 million in unspent FY 1985 funds were recently allocated to certain States as growth grants. A breakdown of the distribution by State will be provided to the Committee. The funds have already been distributed.

DAIRY INDEMNITY PROGRAM

Mr. CONTE. Mr. Secretary, a number of our colleagues from Arkansas, Oklahoma and Missouri have expressed significant concern over the damage resulting from heptachlor contamination in that three-state area. Congressmen John Paul Hammerschmidt and Gene Taylor have prepared an amendment to the pending urgent supplemental for $10 million to provide financial assistance through the Dairy Indemnity Program to those whose herds have been contaminated.

In early March, you sent a task force to the area to investigate the damage, economic and otherwise, that has resulted from the contamination. Will you summarize the task force's findings for our Committee?

Secretary LYNG. The assessment of the USDA Emergency Dairy Contamination Task Force indicated that 54 herds are quarantined in the 3-State area, involving approximately 3,480 cows which average 13,000 pounds of milk each annually. Based on the average $12 per hundredweight dairy support price, a total of approximately $4 million will be needed for indemnity payments to dairy producers. The task force estimated that an additional $1 million would be needed to cover manufacturers' claims that are expected to be filed in FY 1986. It was also determined that $1 million would be needed for contamination testing expenses of the Animal and Plant Health Inspection Service and the Food Safety and Inspection Service. To eliminate delays in making periodic payments and to avoid further hardship for dairy farmers, appropriation language was included in the USDA request for supplemental funds to authorize the use of

CCC services, facilities and authorities by ASCS county offices in making payments. The Task Forces estimates that on the average dairy cows will be off the market for 9 months.

Mr. CONTE. How urgent do you consider the need for funding?

Secretary LYNG. Producers whose herds have been quarantined cannot afford feed for the extended period required to bring heptachlor levels within tolerance levels. Without assistance they will be forced out of business.

Mr. CONTE. Do you consider $6 million to be sufficient?

Secretary LYNG. The Task Forces findings indicated that $6 million would be adequate assuming that herds are off the market less than one year on the average. While there is no assurance that heptachlor levels in milk and dairy herds will have returned to acceptable levels in that time frame, regulations will be amended to allow us to purchase herds if it is more cost-effective to do so. We are evaluating the feasibility of this option and, if feasible, will utilize it to keep costs within the projected range. We estimate that about $3.5 million will be outlayed in FY 1986 and $2.5 million in FY 1987.

Mr. CONTE. What has been USDA's role in the crisis to date?

Secretary LYNG. In March an emergency Task Force visited the affected area to assess damages. In April an urgent supplemental request was submitted to the Congress based on the Task Force findings, which indicated a need for continued testing by USDA agencies as well as a need to provide assistance to dairy farmers whose herds were quarantined. USDA then instructed farmers with contaminated herds to file claims with their county ASCS office to expedite payments as soon as funds are available. FmHA loans to the dairy farms were also announced as an interim measure to minimize current financial hardship on the dairy farmers.

A report of the number and amount of claims received by ASCS offices will be available May 12, 1986. This will allow us to evaluate the severity of losses.

Mr. CONTE. Do you believe the contamination problem has been brought under control? How long will it be until the level of contamination is no longer considered harmful?

Secretary LYNG. The source of the contaminated feed purchased by dairy farmers was identified and affected herds were quarantined to halt the sale of contaminated milk in commercial markets. The USDA supplemental request provides $1 million for continued testing to determine when heptachlor levels reach acceptable levels. It is estimated that some dairy cows will soon be producing milk free of heptachlor, but some could take as long as 2 years.

Mr. CONTE. How did you arrive at your $6 million figure?

Secretary LYNG. The $6 million estimate was determined by findings from the USDA Emergency Dairy Contamination Task Force which indicated that 54 herds are quarantined in the 3-State area, involving approximately 3,480 cows which average 13,000 pounds of milk each annually. Based on the average $12 per hundredweight dairy support price, a total of approximately $4 million will be needed for indemnity payments to dairy producers. The task force estimated that an additional $1 million would be needed to cover manufacturers' claims. It was also determined that $1 million would be needed for contamination testing expenses of the APHIS and the FSIS.

Mr. CONTE. How would you assess the present economic condition of the farmers whose herds have been contaminated?

Secretary LYNG. Farmers with quarantined dairy herds are suffering daily financial losses. The best cure for heptachlor contamination in cows is milking; therefore the farmer must continue to buy feed, milk his cows, and incur all the necessary expenses associated with milk production without any milk revenues. The dairymen will continue to incur losses until indemnity payments can be made.

Mr. CONTE. Under existing law, do you have the authority to transfer funds from the CCC into the dairy indemnity program? If so, why haven't you used this authority? If no, what additional authority would you need?

Secretary LYNG. There is no authority for the transfer of funds from CCC to the Dairy Indemnity Program. The revised language provided in the supplemental request would authorize use of the services, facilities and authorities of CCC for the purpose of making payments at the county level, which would avoid delays in payments to dairy farmers. However, substantive authorizing or appropriation language would be needed to authorize the use of CCC funds for this purpose.

Mr. CONTE. Do you have an estimate of need for dairy indemnity program payments in FY 1987?

Secretary LYNG. Of the $6 million we have requested, approximately $3.5 million would be used in FY 1986 and $2.5 million would be used in FY 1987 or FY 1988, depending on the length of time dairy herds are off the market.

INTEGRATED PEST MANAGEMENT

Mr. CONTE. Mr. Secretary, Massachusetts has become recognized as a world leader in the widespread acceptance and use of Integrated Pest Management, a comprehensive system combining chemical and non-chemical pest control methods to keep pest populations below economically damaging levels. In only four years, for example, some 2,500 acres of Massachusetts apple orchards have reduced, by 35 percent, its pesticide use as a result of IPM. It is our goal to reduce the use of chemical pesticides by 50 percent by 1995.

In order to meet our goals, we are working closely with the Cooperative Extension Service at the University of Massachusetts and the Department's IPM program. The State has set aside $250,000 for its share of the costs, and we are hoping for another $150,000 from USDA.

In my view, Mr. Secretary, this is one small program whose economic and environmental advantages make it worth saving. It's a $7 million program. Why have you recommended termination?

Secretary LYNG. Prior appropriations have provided resources to initiate and develop IPM programs. These programs can be continued with state, local and private support. Termination of this Extension earmarked program is consistent with the overall Federal spending reductions.

TASK FORCE ON STREAMLINING USDA

Mr. **Conte**. On January 9th, Secretary Block released the final report by the Secretary's Task Force on Streamlining USDA. Would you summarize the recommendations of the Task Force and indicate if or how you plan to implement these recommendations? Are there any plans underway at the current time to close or consolidate any state or county offices of the Department?

Secretary **Lyng**. There are no plans at this time. The recommendations are still under consideration. I will supply a list of the Task Force's recommendations for the record.

[The information follows:]

TASK FORCE RECOMMENDATIONS

State and county offices of the farmer service agencies within the same community should be colocated in contiguous space by January 1, 1988. Plans need to be developed for colocating offices now in different communities and Extension Service offices should be strongly encouraged to colocate with other USDA agencies.

A system needs to be developed for the joint purchase of supplies and materials and maintenance of equipment in colocated offices. Also, vehicles need to be shared among offices.

Agencies should continue automating local offices but plans need to be made to share information among offices so that the same information does not need to be collected more than once from program participants. Cross-training about programs and computer use should be provided local employees. Agencies should cooperate in providing program information to producers and other users of USDA services.

Electronic mail and upgraded telephone systems need to be made available to colocated offices.

Greater progress needs to be made in sharing personnel between agencies at the local level.

Administrative and program procedures need to be simplified and the regulatory burden placed on local offices by higher level organizations, sharply reduced.

More effective and less costly systems for providing administrative support to local offices need to be developed.

Greater use needs to be made of and greater authority given to the National and State Food and Agriculture Councils in developing and implementing colocation plans and shared services.

Progress on colocation and shared services needs to be monitored and a data base developed which will indicate the current conditions at any given time.

Administrative service centers, either within or among agencies, should be adopted as the stated policy of USDA and their implementation accelerated.

Departmental administration needs to separate policy from operations.

Operations financed through the Working Capital Fund need to be subjected to greater financial discipline, costs reduced, and operations made more responsive to agency managers whom they are intended to serve.

National capital area administrative operations should be centralized where they do not involve essential management actions and where economies of scale or increased specialization can reduce costs, while supplying adequate levels of service.

Additional studies need to be made of areas which were outside the scope of this study but which offer opportunities for improved efficiencies and effectiveness.

In addition to those recommendations dealing with colocation, shared services, and centralized operations, reorganization options ought to be evaluated as a means for making further savings and improvements in service and operations.

The research programs which have been split off from the Agricultural Research Service should be returned to that agency, and closer ties need to be established among the research programs departmentwide.

The rural development activities ought to be examined to determine whether a single agency could provide better service to small rural communities than the current organization is able to provide.

The international programs needs to be reviewed to insure that the current organizational allignment offers maximum opportunities for expanding America's export markets.

The organization of the Department's economics and statistical activities needs to be reviewed to reduce the number of separate offices which supply economics information to the Secretary and his staff.

The need for several small agencies of the Department which are not subject to the normal budget review and which lack the financial and personnel resource to carry out viable programs should be reevaluated.

USER FEES

Mr. CONTE. Please provide for our Committee a summary of each of the user fee proposals connected with your FY 87 budget submission. Indicate whether these proposals could be undertaken under existing law or administrative authority, or whether separate legislation is required. And, if separate legislation is required, please indicate if such legislation has been submitted to the appropriate authorizing committees or when you expect to submit it. In addition, please provide your estimates of savings realized as a result of the imposition of such user fees.

Secretary LYNG. I would be happy to supply that information for the record.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE

FY 1987 USER FEE PROPOSALS

Agency	Title	Description	Savings (Million of Dollars)
LEGISLATION REQUIRED			
FSIS	Across-the-board user fees	Legislative changes which will permit collection of user fees to fund FSIS programs are included in the 1987 budget proposal. The request also reflects a $2 million savings in 1987 and increasing savings in future years from proposed legislation to permit increased flexibility in processing inspection. If fully passed through to consumers, the user fees would add less than a penny per pound to the prices of meat and poultry products, well within the normal price variation among competitive retailers.	$363.8
ACS	User fees for ACS activities	This proposal would initiate user fees for all activities.	3.7
AMS	User fees for AMS activities	Legislation is proposed for collection of user fees for the following programs. -- Market news activities, which include collection, analysis and dissemination of commodity price and availability information ($15.0 million). -- Market protection and promotion activities ($.7 million).	32.8

Agency	Title	Description	Savings (Million of Dollars)
AMS (Cont'd)		-- Egg products inspection which provides continuous in-plant inspection to manufacturers of liquid, frozen, or dried egg products ($9.4 million). Legislation is proposed to eliminate continuous in-plant-egg-processing operations except for egg breaking operations and reduce shell egg surveillance from four times a year to once annually and authorize the Secretary to withdrawn inspection services for non-compliance ($9.4 million in savings). -- Standardization, which involves development of quality standards used for commodity grading ($3.3 million). -- Marketing agreements and orders, which help stabilize market prices and supply for certain commodities ($6 million). -- These savings will be partially offset by start-up costs (+$1.6 million). Further savings totaling $3.6 million result from the elimination of the Wholesale Market Development program, the Payments to States and Possessions program and the Federal Seed Act. Federal involvement in research on local marketing issues and development of wholesale markets has provided the assistance necessary to allow State and local governments to effectively respond to these problems. Elimination of the Federal See Act program would place the responsibility for seed regulation on the individual State seed programs.	

Agency	Title	Description	Savings (Million of Dollars)
P&SA	To amend the Packers and Stockyards Act	This proposal would initiate across the board user fees for the full cost of the agency's operations.	9.1
REA	Interest subsidy for REA Loans	Legislation is proposed to end interest rate subsidy to Treasury plus 1 1/8% from current rate of 5%. Also, annual fee is assessed on all REA loan borrowers to recover defaulted loan repayments on guaranteed electric loans.	75.9
	Salaries and Expenses	Legislation will be proposed to charge an upfront fee of 5 percent on direct loans which will be used to finance this activity.	21.7
FCIC	Administrative and operating Cost	This proposal will increase the producer's share of premium cost in order to phase out Federal payment of administrative expenses and premium subsidy over a five year period beginning in 1987.	135.5
FGIS	User fees for standardization and compliance activities	Require user fee funding for standardization and compliance activities provided to the grain marketing industry by the Federal Grain Inspection Service.	7.0
APHIS	User fees for several APHIS activities	Legislation to charge user fees for several activities will be proposed in 1987. These activities include: 1) the issuing of phytosanitary certificates for export plants; 2) all work pertaining to the import and export of animals and animal products; 3) the testing and monitoring of veterinary biologics; and 4) certain laboratory testing performed for Federal, State, and private agencies and universities. ($20.9 million in savings in 1987).	20.9

The proposals for the user fees for the Animal and Plant Health Inspection Service, Agricultural Cooperative Service, Food Safety and Inspection Service, Agricultural Marketing Service, and Packers and Stockyards Administration were sent up yesterday. The proposals for user fees for the Federal Grain Inspection Service standardization and compliance activities should be sent to the Hill this month. The proposals for Federal Crop Insurance Corporation and Rural Electrification Administration are still under review.

Agency	Title	Description	Savings (Million of Dollars)
ADMINISTRATIVE ACTION			
ASCS	Service Fees	Implementation of service fees in ASCS County Offices. Fees charged producers would relate to direct benefits such as loans and payments.	46.3

AGRICULTURAL CONSERVATION PROGRAM

Mr. CONTE. Mr. Secretary, what is the current limitation on ACP payments to individual farmers? What is the cost-sharing requirement?

Secretary LYNG. The current limitation on ACP payments to individual farmers is $3,500 per person per year, except under pooling agreements, which allows each farmer to receive $10,000 less any cost-share payments received under ACP for practices outside the pooling agreement.

The ACP currently cost-shares up to 75 percent of the cost of performing enduring conservation practices that would not be carried out without ACP assistance. Cost share rates for each State and county are established by State and county committees, respectively, but may not exceed the 75 percent maximum cost-share rate established by program regulations. A variable cost-share level is also used by counties on a voluntary basis to help get more conservation on the land for the same or less by relating cost-share levels to the amount or erosion reduction achieved. The level established by each county may not exceed the maximum set by the State. In fiscal year 1985, ACP cost-shared, on the average, 51 percent of the total costs of conservation practices with program participants.

Mr. CONTE. Do you believe that the current limitation is appropriate? When was the last time that it was raised? Is this a statutory or administrative limitation? When was it imposed?

Secretary LYNG. The current payment limitation is appropriate for annual practices given today's need for budgetary restraint. However, for long-term agreements, we believe a more appropriate limitation would be that the cost over the life of the agreement does not exceed an average annual cost of $3,500. This would allow long-term agreements to exceed the $3,500 limitation in any one year but not for an overall average. The limit, which is specified annually in the ACP appropriation language in the Agriculture, Rural Development, and Related Agencies Appropriation Act, was last increased in 1978, and was first imposed in 1939.

DENSITY OF PROJECTS

Mr. CONTE. As I understand, the REA was founded 51 years ago to provide financing that would extend electric service to consumers living in rural areas and in communities of 1,500 population or less. Over the last ten years, however, REA data indicates that the vast majority of REA subsidized loans have been financing new electric connections in housing developments, subdivisions, retirement communities and even vacation resorts.

Is it true that 4 out of 5 subsidized loans from the REA have helped to finance high and medium-density projects over the last 10 years?

Secretary LYNG. Yes, eightly precent of REA's loan funds are now financing high density projects in predominantly non-rural areas.

Mr. CONTE. How much of the $8.3 billion in 5 percent loans approved since 1976 have been used to extend service to new consumers in sparsely-populated areas?

Secretary LYNG. Approximately $1.7 billion, or 20 percent of the 5 percent loans approved since 1976, were used to extend service to new consumers in rural areas.

TARGETING LOAN FUNDS

Mr. CONTE. Is REA able to target its assistance to co-ops based on their service area or financial condition. Why not?

Secretary LYNG. No, the Administrator of REA cannot target its 5 percent insured loans. Statutory language prevents REA from targeting loans to borrowers based on need.

Mr. CONTE. What effect does this lack of discretion or direction have on the program?

Secretary LYNG. In two areas specifically, this inability to target funds has resulted in vast amounts of subsidized dollars going to non-rural, financially healthy borrowers. A density study of electric distribution borrowers was recently completed. This study shows that 80 percent of the $8.3 billion worth of 5 percent loans for electric distribution financed high or medium density projects. Rural co-ops who asked for loans to finance new service to sparsely populated areas received only $1.7 billion in loans. Nearly $5 billion has been lent to co-ops to finance high-density projects, most of which are in rapidly growing areas adjacent to major metropolitan areas.

In addition, REA was directed in the continuing resolution last year to suspend the general funds policy. This policy allowed REA to review one aspect of the financial condition of borrowers. Under the general funds policy borrowers were required to use their excess general funds to pay at least a portion of the cost of any new project they were undertaking. Now even the most financially healthy borrowers can get a loan from REA without having to use any of the co-op funds.

Of the applications received through April 18, 1986, a quick review shows that suspension of the 8-percent general funds policy has resulted in $37 million increase in telephone applications. With the general funds policy of previous years, the borrowers would have used their own excess general funds for these construction costs. Now, these financially healthy—and in many cases non-rural—borrowers will be draining the Treasury for millions more than they would have been eligible for as late as last year.

FINANCIAL CONDITION OF BORROWERS

Mr. CONTE. In your opinion, how have electric and telephone cooperatives fared financially during the past 5 years?

Secretary LYNG. Very well, net margins, or profits, as a percent of gross revenues have increased for both electric and telephone borrowers. Electric distribution system net margins went from 5.5 percent of gross revenues to 8.2 percent from 1981 through 1984. Telephone borrowers did even better. Their net margins increased from 12.8 percent of gross revenues to 15.3 percent.

Since so many borrowers no longer serve a significantly rural population in terms of their total service, it's not surprising that their profit picture more closely parallels the economic upturn of our nation as a whole, rather than the difficult economic conditions of rural America.

Mr. CONTE. What effect would higher interest rates, as REA is proposing, have on residential rates to consumers?

Secretary LYNG. Very little, if any. Interest expense represents between 4 and 5 percent of a borrower's total operating expenses. Market interest rates, such as current Treasury borrowing plus 1⅛ percent would mean an increase of about $.43 per month for the average residental electric consumer—and that's just for consumers of REA borrowers who decide to undertake a major new project. Since loan requests are down—particularly in rural areas—most consumers will not see any change in their bills because their rural co-op will not be borrowing money at the higher interest rate.

ALTERNATIVE SOURCES OF FUNDING

Mr. CONTE. If REA were to be phased out, would REA borrowers be left without sources for loans? Where can electric cooperatives go for capital funding outside of the Federal Government.

Secretary LYNG. There are several non-REA sources of financing already available to rural electric systems. The National Rural Utilities Cooperative Finance Corporation, (CFC), has been making loans since FY 1971, and most REA borrowers have been getting 30 percent of their loan needs from CFC, concurrent with an REA loan for the other 70 percent. This is the borrower's own organization capitalized entirely through them. Incidentally, the ratio has not changed since 1972. Cumulative loans to electric borrowers from CFC, both with a concurrent REA loan and without, total over $3.0 billion.

The Banks for Cooperatives (BC's) of the Farm Credit Administration have also been making loans to REA borrowers for several years. Cumulative loans total around $400 million not including loans made under the REA guarantee authority. In addition, the recent Farm Bill legislation provided authority to the BCs to lend to all REA borrowers regardless of whether or not they are cooperatives or what percentage of their consumers or subscribers are farmers. This greatly expands the borrowers' potential for financing. There are also individual banks willing to lend to the rural systems and there is a borrower organization in New Mexico which makes loans to its members.

RURAL TELEPHONE BANK

Mr. CONTE. Why haven't you proposed an appropriation for the Capitalization of Rural Telephone Bank Stock?

Secretary LYNG. No appropriation was proposed for the capitalization of Rural Telephone Bank Stock because the funds are not needed. The Bank is allowed to borrow up to 20 times its paid-in capital and retained earnings.

Mr. CONTE. Why are no funds being requested for telephone loan guarantee commitments in Fiscal year 1987?

Secretary LYNG. There have been no loan guarantee commitments for telephone borrowers made since fiscal year 1984 because there is no demand for this type of loan. The RETRF and RTB are meeting the current and projected future needs of REA borrowers.

REVOLVING FUND

Mr. CONTE. Why did the Administration propose a rescission of $100 million in direct appropriations for reimbursement to the REA revolving fund? Since the rescission request has expired, what has happened to this $100 million?

Secretary LYNG. The $100 million in direct appropriations for reimbursement to the revolving fund was proposed because the revolving fund had a net cash income of more than $83 million in fiscal year 1984, the year on which the appropriation was based.

When the rescission request expired, the funds were reapportioned to the revolving fund.

SECTION 32

Mrs. CONTE. Mr. Secretary, what non-profit groups are currently eligible to receive Section 32, Group A commodities?

Secretary LYNG. In order to receive Section 32 commodities, the agency must be in one of the following groups: schools or school food authorities that participate in the National School Lunch Program, charitable institutions, non-profit summer camps, State agencies which make distributions to needy persons, State correctional institutions for minors, disaster organizations, service institutions which participate in the Summer Food Service Program for children, nutrition programs for the elderly, and nonresidential child care centers.

Mr. CONTE. How and when was their eligibility defined?

Secretary LYNG. The Act of August 24, 1935 provided for the utilization of Section 32 commodities as assistance to low income groups, as determined by the Secretary. Subsequent legislation has defined the specific agencies eligible to receive Section 32 commodities.

Mr. CONTE. Are you reviewing any proposals to change eligibility? If so, are any other non-profits being considered for eligibility?

Secretary LYNG. At the present time the Department is not considering modifying the current types non-profit organizations eligible to receive Section 32 commodities.

Mr. CONTE. What are the requirements to receive Section 32, Group A commodities?

Secretary LYNG. Generally, in order to receive Section 32 commodities an agency must be non-profit, serving needy people. All must enter into agreements with the State distributing agency.

Mr. CONTE. Are food banks able to receive and distribute Section 32, Group A commodities to member non-profit programs?

If not, are you considering any proposals that would enable food banks to do so?

Secretary LYNG. The 1985 Security Act permits the Department to donate Section 32 commodities through the Temporary Food Assistance Program (TEFAP) to Emergency Feeding Organizations which may include food banks. However, the Department does not have current plans to distribute any Section 32 commodities through TEFAP, and is not at the present time considering any proposals to do so.

Mr. CONTE. What population is targeted to receive these commodities?

Secretary LYNG. The targeted population consists of the recipients of the programs which are entitled to receive Section 32 commodities.

Mr. CONTE. Is there an allocation of funds for the transportation of Section 32 Group A commodities, as is the case with TEFAP commodities?

If not, are you considering any proposals for such an allocation?

Secretary LYNG. There is no specific allocation for transportation of Section 32, Group A commodities, although the Department does pay for transportation to a site within the State, e.g., a State warehouse or recipient agency that can receive at least a truckload.

Mr. CONTE. Are handling fees—per pound charges—currently reimbursed? If not, is there any proposal to reimburse for handling under consideration?

Secretary LYNG. The Department does not pay handling fees for commodities after they are delivered to States. The Department is not considering changes in this area.

Mr. CONTE. Mr. Secretary, one of the most basic problems encountered by one of the food banks in my district is, in fact, the very definition of a food bank. As I understand it, the term "food bank" is not uniformly defined in the United States. In Western and Central parts of the country, a "food bank" is an emergency food provider serving individuals and families with boxes of food to take home. In New England, "food banks" are more often central warehousing and distribution facilities which make donated foods available to non-profit member agencies.

Does the USDA have an operational definition of the term "food bank"?

Secretary LYNG. No. The Department uses the term Emergency Feeding Organization (EFO) for purposes of the Temporary Emergency Food Assistance Program. EFO's may include charitable institutions, food banks, hunger centers, soup kitchens and similar private non-profit eligible recipient agencies.

Mr. CONTE. Has the Department encountered any problems in using this definition for purposes of program eligibility?

Secretary LYNG. The determination of program eligibility is the responsibility of State agencies. To be determined an eligible EFO, a public or non-profit private organization must enter into an agreement with the designated State agency to provide nutrition assistance to relieve situations of emergency and distress through the provisions of food to needy persons.

Mr. CONTE. Has USDA determined the form in which meats used in the Section 32 Group A Commodity Program will be packaged? If so, please describe.

Secretary LYNG. The Department uses standard commercial packaging specifications. The actual dimensions of the package are left up to the commercial supplier. The Department plans to purchase meat in several forms: canned beef, frozen bulk ground beef, frozen smoked hams, and frozen choice beef roasts.

GPO COMMERCIAL PROCUREMENTS

Mr. CONTE. Mr. Secretary, it is my understanding that the Public Printer, at the Government Printing Office, has taken certain initiatives to encourage federal departments and agencies to take maximum advantage of GPO commercial procurement contracts. I understand that the GPO electronic publishing procurements are already saving some very substantial tax dollars.

Would you please describe the plan which USDA has to increase its reliance on GPO commercial procurements for both printing and electronic publishing?

Secretary LYNG. The Department makes full use of the commercial procurement opportunities available through GPO. This includes 36 GPO awarded—USDA maintained contracts, and 8 other commercial contracts maintained by GPO. In fact, all jobs that we send to GPO contain a statement requesting procurement in the commercial sector.

Statement by
Secretary of Agriculture
Richard E. Lyng
Before the House Appropriations Subcommittee on Agriculture
Rural Development and Related Agencies
May 1, 1986

It is a privilege to appear before the Committee as the Secretary of Agriculture to discuss the programs of the U.S. Department of Agriculture and our FY 1987 budget. At the outset, I want you to know that I look forward to renewing the long and excellent relationship I have had with this Committee. We face many problems which we can resolve only if we work together.

Obviously, one of the most immediate problems is the budget. Mr. Chairman, I know that you are concerned about many of the proposals in the 1987 budget. You know as well as I do how difficult it is to put together a budget when the focus is on how to reduce Federal spending. In this environment, it becomes necessary to set priorities and decide which programs need to be maintained because of a clear Federal role and which programs should be cut or shifted to other funding sources. Hard choices have to be made.

The Department has looked at the budget from this perspective as well as the requirements laid out by the 1985 Farm Bill. While the President's budget reduces overall USDA programs by about $9 billion from the FY 1986 level, we will still spend over $44 billion in 1987. The budget maintains a high priority emphasis on a range of programs including, research, farm price support, farm credit, food assistance, conservation, marketing, and other important programs.

We believe adoption of the President's budget is the best way to achieve the savings necessary to reach the FY 1987 budget deficit target required by the Gramm-Rudman legislation. Clearly, the high priority programs of the Department will fare much better under the President's budget than they would if another sequester order is issued for FY 1987. USDA spending represents about 5 percent of total Federal spending and 9 percent of non-defense Federal spending, but accounts for almost 30 percent of Federal non-defense outlays which are subject to the sequester process. Thus, those who support USDA programs have a particular interest in avoiding another sequester. From this standpoint the President's budget is good for agriculture.

Also, agriculture stands to benefit greatly if the budget deficit is reduced. Lower interest rates for farmers could result because of a lower deficit and U.S. exports could become more competitive if the value of the dollar continues to drop.

I would like to comment briefly on some key USDA programs and how they will be affected by the FY 1987 budget.

- Funds have been included in the budget to carry out the farm commodity programs authorized by the 1985 Farm Bill. The 1986-crop programs have been announced and sign-up ends April 25. In connection with these programs, we are making advanced deficiency payments to farmers which should help to reduce operating credit needs and improve cash flow. We have also implemented the new Dairy Termination Program as required by the new legislation and are taking a numb f actions related to its implementation, including the purchase of 400 million pounds of red meat in support of the fed-beef market.

- Given the high level of projected Commodity Credit Corporation (CCC) outlays for price support programs, the availability of sufficient borrowing authority for CCC is going to be a continuing problem. We appreciate the efforts of this Committee in replenishing CCC funds in recent months. However, we are still going to need additional funds in the very near future to keep CCC operating for the rest of the year. Given the great uncertainty in CCC's ability to finance its programs over the long-term, we need to find a permanent solution to this funding problem.

- Export credit programs will continue to be carried out in the future, but it is expected that the market oriented loan rates and the value of the dollar will have a bigger impact on exports than the credit programs.

- Foreign food aid requirements will remain largely unpredictable, but they should be at a more normal level for 1987 since the food situation in Africa has improved. New authorities in the Farm Bill may allow us to better address food needs in developing countries.

- Farm operating credit will continue to be highly important to farmers during planting season and funding for operating credit will need to be maintained. The advanced deficiency payments we are making and FmHA's use of its servicing actions including reschedulings, deferrals and subordinations also will be helpful in this regard. For this year's planting season, we have made an additional $700 million available for direct farm operating loans through a transfer of funds from other FmHA programs, and we still have about $1 billion in guaranteed operating loan authority for use. Also, a new policy of forebearance in meeting banking regulations has been established for agricultural banks. The new policy encourages banks to restructure problem loans and to participate in FmHA's interest buy-down programs.

. Soil conservation is of long-term importance to the nation and funding of the Conservation Reserve Program is especially important because it aims to achieve soil savings on the nation's most erosion prone land. In addition, it may also achieve savings in the price support area as this land is converted from crop production. This program has received strong support in the Congress and we are hopeful that farmers will decide to participate in the program. We have already accepted bids on 838,000 acres, and a second sign-up is set for May 5.

. Funding for domestic food assistance programs servicing low-income persons has been kept near current levels because of the vulnerable groups involved. Reductions are proposed in programs subsidizing the non-needy.

. The Federal commitment to agricultural research remains a high priority. Research will be needed over the next several years to develop new uses and new markets for farm products, strengthen farmer profitability and increase our competitiveness in world markets.

. However, to do these things and still live within a total outlay figure of $44.6 billion means that many other programs must be terminated or reduced. These include FmHA housing and rural development programs, the ACP and watershed programs. There are also proposals for new or increased user fees in many areas and for the elimination of subsidies in programs as diverse as crop insurance and school lunches for non-needy children. Every one of these programs has its supporters, and so the debate will be intense over the next few months. In the end, we simply must set a budget and live within it.

I think these points cover the main areas of the budget. USDA will have to reduce its outlays during FY 1987 if the budget deficit target is to be achieved, but in reducing these outlays we need to make sure essential programs and services are carried out at adequate levels.

In closing, I would like to take this opportunity to urge the Congress to give early and favorable consideration to our request for an emergency supplemental appropriation for the Dairy Indemnity Program to assist dairy farmers facing losses from heptachlor-contaminated feed. As the Committee is aware, last month I sent an emergency task force to conduct an on-the-spot assessment of the pesticide contamination in Arkansas, Oklahoma, and Missouri. Based on their findings, we have estimated that $6 million will be needed to cover dairy farmers' claims and have requested that amount in this supplemental. Timely action by the Congress is required to minimize any further financial hardship to the dairy farmers and to reduce the public health implications associated with the heptachlor contamination.

Mr. Chairman, I would be glad to respond to any questions that you may have. I am also looking forward to working closely with you and the members of the Committee so that an acceptable budget can be developed and be put into effect for FY 1987.

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